

3BB-1

PALM BEACH COUNTY

BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 10/16/2012

[X] Consent [] Regular
[] Public Hearing

Department:

Submitted By: Internal Auditor's Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to receive and file: Audit reports reviewed by the Audit Committee at its September 19, 2012 meeting as follows:

- A. 12-07 Public Safety – *Emergency Management Division*
- B. 12-08 Environmental Resources Management – *Environmental Resources Stewardship Division*
- C. 12-09 Fire Rescue – *Support Services and Operations Divisions – Medical Supplies*
- D. 12-10 Fire Rescue – *Support Services Accounting for Fuel Dispersed*

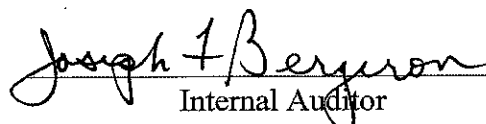
Summary: Ordinance 2012-011 requires the Internal Audit Committee to review audit reports prior to issuance. Ordinance 2012-012 requires the County Internal Auditor to send those reports to the Board of County Commissioners. At its meeting on September 19, 2012, the Audit Committee reviewed and authorized distribution of the attached audit reports. We are submitting the reports to the Board of County Commissioners as required by the Ordinance. Countywide (PFK)

Background and Policy Issues: The Audit Committee reviewed audit reports 12-07 through 12-10 at its September 19, 2012.

Attachments:

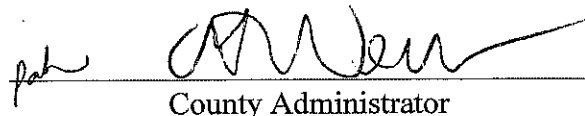
Audit reports as identified above

Recommended by:


Internal Auditor

10 October 2012
Date

Recommended by:


County Administrator

10/16/12
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2012	2013	2014	2015	2016
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	None ✖				
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes ___ No

Budget Account No.: Fund _____ Agency _____ Org. _____ Object _____

Program Number _____ Revenue Source _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

~~A~~ No fiscal impact

A. Department Fiscal Review:

Age Group	Percentage
18-24	10%
25-34	20%
35-44	25%
45-54	20%
55-64	15%
65-74	10%
75-84	5%
85+	5%

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

Jphame 10/2/12
Budget/OFMB
10/2/12 *DP*

Dr. J. Jacobson 10/9/18
Contract Administration

B. Legal Sufficiency:

Paul F. S. 10/9/12
Assistant County Attorney

C. Other Department Review:

Department Director

This summary is not to be used as a basis for payment.



Office of the County Internal Auditor
Audit Report #2012-07

PUBLIC SAFETY
EMERGENCY MANAGEMENT DIVISION



*Reviewed by Audit Committee
September 19, 2012*

DATED JUNE 25, 2012

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the EM Division Director ensure that grants and contracts were administered in accordance with County, grantor and contract requirements for FY 2011 and FY 2012 through January 2012?
2. Did the EM Division Director ensure that the County's CEMP was updated and that review of health care and related agencies' CEMPs was performed as required by Florida Administrative Code?
3. Did the EM Division Director ensure that performance measures (a) included in the Budget Book for FY2012 complied with OFMB budget guidance concerning improvement in quality of performance measures, and (b) provided information on efficiency and effectiveness of Division operations?

WHAT WE FOUND

The EM Division Director generally ensured that:

1. Grants and contracts were administered in accordance with County, grantor, and contract requirements for FY 2011 and FY 2012 (through January 2012). However, the audit found the contract with AT&T for E-911 services expired in December 2011 and those services continued after the contract expired during the transition to the NEXGEN 911 system. The audit also found that invoices submitted for payment during Fiscal Year 2011 and 2012 (through January 2012) for the AT&T E-911 contract, while they were subject to administrative review, were not always compared to the contract for compliance with contract terms.

2. Review of health care and related agencies' CEMPs was performed as required by Florida Statute and has established internal controls to ensure that future updates of the County's CEMP and related documents are updated as required. The audit found, however, that the County's CEMP required to be revised in 2006 had not been completed and approved by the State and the BCC until 2011. A number of factors contributed to the delay, including the 9/11 event in the U.S., and State mandated changes in the content and direction of the CEMP.

3. Performance measures (a) included in the Budget Book for FY2012 complied

with OFMB budget guidance concerning improvement in quality of performance measures, and (b) provided information on efficiency and effectiveness of Division

operations. However, the audit identified opportunities to enhance performance measures used by the Division.

WHAT WE RECOMMEND

The audit report makes two recommendations to:

- The EM Division Director should ensure that the 911 Coordinator review a sample of invoices paid under the earlier contract with AT&T for Fiscal Year 2011 and 2012. The review should include a determination that payments made were in accordance with contract requirements for the individual PSAP.;

- The EM Division Director should explore opportunities to enhance the Division's performance measures to better reflect efficiency and effectiveness of Division operations by focusing on higher level goals and strategies.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1. Contract with AT&T for PSAP Communication Services

The audit found that the County had allowed AT&T to continue providing communication services to PSAPs without a valid contract since December 2011. Also, the Finance Director and the Division did not ensure that payments totaling \$3.5 million made under the contract in Fiscal Year 2011, while they were subject to administrative review, were not always compared to the contract for compliance with contract terms.

Finding 1a Services Provided Subsequent to Contract Expiration

In December 2006, the then-Department Director approved a contract with AT&T for communication services provided to PSAPs for a 60-month period ending December 2011. Department officials were unable to provide evidence that the contract had been extended. AT&T officials stated that they had continued providing services at the contract rate as a courtesy to the County while the transition to an advanced communication system (known as NG911) proceeded. According to EM officials, the contract to provide communication services

to PSAPs had changed from a leased to a purchased system under NG911. The new contract for the NG911 system with AT&T has been in effect since April 2010 when it was approved by the Board of County Commissioners (BCC) and PSAPs have been transitioning to the new system since then. EM officials told us, however, that all of the PSAPs were operating under the old contract in Fiscal Year 2011 and it is expected that the transition to the NG911 will be completed by July 2012.

Finding 1b Administrative Review of Invoices Lacked Comparison to Contract Terms

The Division's 911 Coordinator is responsible for analyzing and reviewing invoices received from contractors to ensure that payments made are in accordance with contract terms. The review of contractor invoices generally include answering the following questions:

- Have the required items been delivered and/or the required services been performed?
- Are delivery and/or performance in accordance with the contractual terms and conditions?
- Are any billed items and/or services included in previously paid invoices?
- Are all costs allowable and allocable to the contract?
- If overpayment was detected, was there a prompt follow-up and recovery of the funds?

In the case of the earlier AT&T contract in effect from December 2006 through December 2011, the 911 Coordinator did not have copies of the relevant contracts for the PSAPs. Under these circumstances, the Coordinator told us that he did trend analyses looking for variances in billed

amounts. However, he stated that since he did not have contracts to use for his analysis, he was not able to fully determine if the invoices were in accordance with the terms of the contracts. We found that payments made to AT&T under these contracts amounted to \$3.552 million in Fiscal Year 2011 and another \$818,500 for the first quarter of Fiscal Year 2012.

The audit found that the 911 Coordinator was reviewing invoices received from AT&T for communication services provided to PSAPs who had transitioned to the NG911 system. The Coordinator had copies of the contract and reviewed each invoice to determine if payment was in accordance with contract terms. The 911 Coordinator also identified instances where AT&T had billed for services under both contracts in a few instances. These overbillings were promptly followed-up on and funds were recovered. The Coordinator stamped the invoices as 'approved', and the invoice was then sent for further approval to the Finance Director and the Department Director. It was then sent for payment to the Clerk and Comptroller's Office. We consider this an appropriate review process.

Recommendation:

(1) The EM Division Director should ensure that the 911 Coordinator review a sample of invoices paid under the earlier contract with AT&T for Fiscal Year 2011 and 2012. The review should include a determination that payments made were in accordance with contract requirements for the individual PSAP.

Management Comments and Our Evaluation:

In responding to a draft of this report, the EM Division Director stated agreement 'by

and large' with the audit recommendation. He stated that ATT invoice review and cross reference with service contract terms have increased from the recommended sample invoice review to all ATT invoices. All responsibilities have been assigned to the 9-1-1 Planning Coordinator and such review process is already in place. In addition, the 9-1-1 Planning Coordinator is to track, report, and sign off on each and all ATT invoicing reviews. Such report is to be submitted to the Operations Section Manager for further review and approval and forwarded to the Division Director. Discrepancies on the ATT invoice are to be reported immediately to the Section Manager and Division Director for guidance and resolution. The EM Director also stated that a contract extension was being negotiated and would be completed by the end of August 2012.

We agree with the proposed actions to be taken by the EM Division Director; however, we wish to stress that our recommendation was directed at the earlier ATT contract which, at the time of audit, the 9-1-1 Planning Coordinator did not have sufficient information about to conduct reviews of service provided. The audit report recognized the current effort by the 9-1-1- Planning Coordinator on the newer NexGen ATT contract. Our audit follow-up will concentrate on this earlier contract and it is expected that the 9-1-1 Planning Coordinator will have obtained the relevant contracts and performed detailed reviews of invoices for all PSAPs still using the earlier ATT contracts.

Finding 2. Delays in Revising County Comprehensive Emergency Management Plan

Florida Administrative Code (FAC) 9G-6.006 requires that the Florida Division of Emergency Management (FDEM) review the County CEMP a minimum of every four (4) years. The audit found that prior to the recent approval by the FDEM and BCC in October 2011, the last revision of the County CEMP was in 2002. According to EM officials, a series of events occurred in both the U.S. and the State that significantly delayed preparation and submission of a revised CEMP. We were told by County officials that events such as 9/11 in the U.S., bringing about increased influence of the U.S. Department of Homeland Security in the make-up of the CEMP and the initiation of Presidential Directive 5 establishing the National Incident Management System (NIMS). According to a FDEM official, there were issues at the State level as to what should be included in the FDEM review and, as a result, a significant amount of time passed prior to having the CEMP approved in 2011. The FDEM official stated that notices of non-compliance were not issued to the County due to these extenuating circumstances. The EM Director told us that he realized the need to update the CEMP as a priority upon his hiring in 2010, and was able to get a revised CEMP approved by the State and adopted by the BCC in November 2011.

The audit included review of EMs Strategic Plan (Plan) for the period 2012-2016. The Plan includes goals, objectives, and tasks to enhance Ems level of service and meet its organizational vision. The Plan, intended to be updated annually, includes objectives, tasks, responsible section and the timeframe for completion to meet goals identified. For example, the Planning Section goal is to ensure that the CEMP and all related procedures are comprehensive, accurate, and meet NIMS, State and local mandated requirements, and objectives. To

accomplish this goal, the Plan includes a series of tasks, person responsible, and the timeframe for completion. In our view, the Plan provides a sound basis to ensure that FAC requirements are met in the future.

Finding 3 **Performance Measures**

The audit found that the EM Division Director complied with budget guidance issued by OFMB for Fiscal Year 2012 by revising its measures to include one efficiency measure to be included in the County Budget Book. The performance measure added was “Percentage of Emergency Operations Center staff that meet National Incident Management System Compliance”. In addition, the EM Division Director tracks 13 other measures internally to gain perspective on the Division’s operations. The measures which are tracked and reported monthly within the Division include:

- Workload in review of health care plans including receipts;
- Number of tasks open and completed in Project Management by staff;
- Activity in the Division’s website including the number and average duration of a visit.

We found that the latter was included as a result of the BCC urging for more public use of social media and website activity.

The audit identified other activities which could be considered by EM to track and measure performance and efficiency of operations. Foremost among the measures to be considered are results of the various training exercises performed. The EM Logistics Manager and Assistant Manager told us there are many training exercises performed during the year, some live and some ‘table top’ or simulated exercises. Exercises are required by the State, FEMA, and self-initiated. Some of the more recent

exercises for which evaluations were performed and which could form the basis for efficiency and/or effectiveness measures include:

- Hurricane Griffin—Statewide Hurricane Exercise conducted May 23, 2011;
- Exercise Toolbox dated April 1, 2011; and
- After Action Report on the Citizen Corps dated August 12, 2011.

In addition, we reviewed Palm Beach County Multi-Year Training and Exercise Plan for 2012-14. The purpose of the Plan is to provide a follow-on companion document to the State’s Homeland Security Strategy, and to establish a training and exercise program to fulfill both mandatory and necessary planning, training and exercise activities. The Plan includes training for municipal, non-governmental, volunteer, and private sector personnel, reinforcing their role in the four phases of emergency management (mitigation, preparedness, response, and recovery).

We discussed the potential for including more meaningful measures of performance to be tracked by the Division with the EM Division Director. The Director expressed considerable interest in exploring opportunities for better performance measures and stated that he would discuss the subject at senior staff meetings and perhaps revising the Division’s Strategy for the next fiscal year. He also stated that he intended to perform outreach to other emergency management directors in Florida and elsewhere to determine if others may have useful ideas that can be considered for application in the County.

Recommendation

(2) The EM Division Director should explore opportunities to enhance the Division's performance measures to better reflect efficiency and effectiveness of Division operations by focusing on higher level goals and strategies.

Management Comments and Our Evaluation:

In replying to a draft of this report, the EM Division Director 'by and large' concurred with the audit recommendation. He outlined a series of measures to be taken to enhance the performance measures being used by the Division, stating that a final draft of the enhanced performance measures and implementation strategy should be completed by September 30, 2012. We agree with the proposal submitted by the EM Division Director and will follow up on this audit recommendation at a later date.

BACKGROUND

The Public Safety Department (Department) provides for administration and enforcement of laws; counseling advocacy; treatment programs and services; educational programs; court support programs; and disaster response and recovery coordination and crisis management. One of its six divisions, the Emergency Management Division (Division), prepares and maintains all-hazard disaster preparedness, response, recovery, redevelopment and mitigation programs and plans. The Division also maintains the street address dataset for 9-1-1 files; conducts outreach and educational programs; and provides public alerts, warning, and after hour emergency notifications.

The Division's Mission Statement is to "minimize the impact of emergencies and disasters to our community through education, planning, and response by coordinating information and resources". The Division is comprised of six Sections whose responsibilities are outlined below:

- The Planning Section coordinates the efforts of various stakeholders (e.g., county, municipal, state, and federal government agencies; non-profits; citizens' groups) and develops comprehensive plans and strategies for safeguarding lives and property of Palm Beach County citizens. The Section is responsible for preparing several State and Federal-required plans, including the Comprehensive Emergency Management Plan (CEMP).
- The Operations Section coordinates and monitors operations concerning the reduction of immediate hazards, saving lives and property, establishing situation control, assessing situations and implementing temporary supportive measures to help restore an impacted area.
- The Logistics Section plans and executes the acquisition and

movement of supplies, equipment, personnel, as well as providing facilities to support response to an incident.

- The Liaison Section serves as the point of contact for representatives of other governmental agencies, municipalities, elected officials, non-governmental organizations and/or private entities. The Section also administers the Citizen Corps umbrella of programs, including conducting Community Emergency Response Team (CERT) training.
- The Administration/Finance Section provides administrative support to the Division and administers programs including training, technology, grants, contracts, budget, statistics, and domestic security.
- The Clerical Section provides administrative support to the other Sections and serves as back-up support to Department administration.

For Fiscal Year 2012, the Division has 36 positions with a total budget of \$16.9 million. Revenue includes \$7.8 million

from 9-1-1 operations and grants of \$1.7 million. The Division also plans to make grants of approximately \$2 million during the Fiscal Year.

Prior Internal Audit Office reports issued on Division operations included (1) Audit Report 01-22 dated September 2003 and (2) Survey Report 05-20 dated September 2005, both entitled "Emergency Management Division". The 2003 report concluded that the CEMP was maintained and updated in compliance with Florida Administrative Code; performance measurement data was reliable and consistent; revenues and expenditures were accounted for in accordance with State and County policies and procedures; and grants were administered in accordance with County regulations and State and Federal grant requirements. The report contained an observation concerning an excess amount of carryover of 9-1-1 wireless funding in the early years of the program. Our 2005 report noted that the issue concerning excess carryover of 9-1-1 revenue had been corrected.

AUDIT SCOPE AND METHODOLOGY

This audit of EM was selected as a result of the Internal Auditor's risk assessment of County department operations, including departmental input. The risk factors identified were contract management, operating revenues, and operational complexity. Through interviews with Department and Division management and

staff concerning these risk factors, review of Countywide, departmental and divisional policies and procedures, prior audit reports and other pertinent documentation, we selected the specific audit objectives cited above for detailed review and reporting.

The scope of our audit was Fiscal Year 2011 and 2012 (through January 2012). Audit field work was conducted at Division headquarters from February through May 2012.

In order to answer Audit Objective 1, we obtained and reviewed County, grantor and contract requirements for a sample of grants and contracts administered by EM during FY 2011 and 2012 (through January 2012). We judgmentally selected grants received by EM from the U.S. Department of Homeland Security (DHS) and Florida Department of Management Services (DEM), and reviewed the significant program and financial compliance requirements related to each, including tests of financial transactions.

For the DHS grant (known as Urban Area Security Initiative) we reviewed transactions to determine compliance with the grant agreement, including the extent of sub grants made to municipalities. For the DEM grants, we reviewed the use of grant funds to support contracts for the NEXGEN 911 (NG911) project—contractors for which were AT&T, Entrado and Kimbal. For these contracts we reviewed the approval process, including approval by the Board of County Commissioners (BCC). We also tested selected transactions made during FY2011 and FY2012 (through January 2012) to determine compliance with contract requirements.

For the 911 Operating Revenue of \$7.8 million received in FY2011, we reviewed use of funds including the budgeting process and funding for Public Safety Answering Points (PSAP), including funds granted to municipalities for PSAP operations. This included a master contract with AT&T for PSAP communications, and reimbursements made to PSAPs for budgeted items. We also spoke with AT&T's representative to the

County concerning payments made during Fiscal Year 2011.

In order to answer Audit Objective 2, we reviewed the Florida Statute and Florida Administrative Code governing the County CEMP and the requirement to review/approve CEMPs of health care agencies. We spoke with Division officials about the CEMP updates required by Florida Statute and Florida Administrative Code and reviewed the Division strategy for Fiscal Years 2011-16. We also judgmentally selected a sample of CEMPs reviewed/approved by EM of health care facilities in order to determine compliance with requirements.

In order to answer Audit Objective 3, we reviewed Office of Financial Management and Budget (OFMB) budget guidance for Fiscal Year 2012 including guidance from the County Administrator, and discussed with Department and Division management actions taken to comply with this guidance. We also spoke with other Division staff to obtain a better understanding of operations and potential for more meaningful performance measures.

Management is responsible for establishing effective internal control to help ensure that appropriate goals and objectives are met; resources are used efficiently, economically, and effectively, and are safeguarded; laws and regulations are followed; and reliable data is obtained and maintained and fairly disclosed. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted

government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objectives. We believe that the evidence obtained will provide a reasonable basis for our findings and conclusions based on our audit objectives.

Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
June 25, 2012

ADMINISTRATIVE RESPONSE



**Department of Public Safety
Division of Emergency Management**

20 South Military Trail
West Palm Beach, FL 33415
(561) 712-6400
FAX: (561) 712-6464
www.pbcgov.com



**Palm Beach County
Board of County
Commissioners**

Shelley Vana, Chair
Steven L. Abrams, Vice Chairman
Karen T. Marcus
Paulette Burdick
Burt Aaronson
Jess R. Santamaria
Priscilla A. Taylor

County Administrator

Robert Weisman

*"An Equal Opportunity
Affirmative Action Employer"*

MEMORANDUM

TO: Joseph F. Bergeron, CPA, CIA, CGAP, Internal Auditor
Internal Auditor's Office

THRU: Vince Bonvento, Asst. Co. Administrator and Director
Public Safety Department

FROM: Bill Johnson, RN, Director
Division of Emergency Management

DATE: July 12, 2012

RE: Draft Audit Report Recommendations Response

Pursuant to Ordinance 2010-007, The Public Safety Department, Division of Emergency Management (hereinafter "DEM") respectfully submits its response to the two (2) recommendations made by the Internal Auditor, Mr. Bergeron, in the "Draft Audit Report" dated June 27, 2012 (hereinafter "Audit Report").

Recommendation #1: The EM Division Director should ensure that the 9-1-1 Coordinator review a sample of invoices paid under the earlier contract with AT&T for Fiscal Year 2011 and 2012. The review should include a determination that payments made were in accordance with contract requirements for the individual PSAP.

The DEM by and large concurs with the Internal Auditor's recommendation. DEM corrective action plans and timelines are as follows:

- AT&T invoice review and cross reference with service contract terms have increased from the recommended sample invoice review to **all** AT&T invoices. All invoicing review and cross reference with contract terms has been assigned to 9-1-1 Planning Coordinator and such review process is already in place. In addition, the 9-1-1 Planning Coordinator is to track, report, and sign off on each and all AT&T invoicing reviews. Such report is to be submitted to the

Operations Section Manager for further review and approval and forwarded to Division Director. Discrepancies on the AT&T invoice are to be reported immediately to the Section Manager and Division Director for guidance and resolution.

- Ratification of a contract extension issue with AT&T is being negotiated with the assistance of the County Legal Department. Contract ratification to be completed within the next two (2) months; by end of August, 2012.

Recommendation #2: The EM Division Director should explore opportunities to enhance the Division's performance measures to better reflect efficiency and effectiveness of Division operations by focusing on higher level goals and strategies.

The DEM by and large concurs with the Internal Auditor's recommendation. DEM corrective action plans and timelines are as follows:

- Review and discussion of the Audit Report will take place during the July 16, 2012 weekly DEM senior staff meeting. All senior staff will work with their respective staff to identify areas to be considered for enhancement of performance measures. The initial goal will be to develop at least one (1) "enhanced" performance measure for each section within the Division. Areas of consideration should focus on the goals and objectives developed for the DEM Strategic Plan set to be released mid-October, 2012.
- DEM will perform outreach to other Florida emergency management directors to identify other best practice emergency management performance measures. The outreach will be conducted through the Florida Emergency Preparedness Association (FEPA) Mid-Year Work Session (July 18-20, 2012), as well as, direct survey via telephone or survey.
- DEM senior staff will assess information from the Division Strategic Plan and results of the best practices statewide outreach and develop an initial draft of "enhanced" performance measures focusing on higher level goals and strategies by July 30, 2012.
- The Division Director will work with the Department Director to develop a final draft of the enhanced performance measures and identify implementation strategies, (i.e., strategic plan changes, annual OFMB submissions, and monthly statistical report modifications, etc.) by September 30, 2012.

Joseph F. Bergeron memo
July 12, 2012

I hope you find this information acceptable. If you should have any questions or require additional information, please contact me at (561) 712-6321.

Thank you for your time and consideration.



Office of the County Internal Auditor
Audit Report #2012-08

**ENVIRONMENTAL RESOURCES
MANAGEMENT**

**ENVIRONMENTAL RESOURCES
STEWARDSHIP DIVISION**



*Reviewed by Audit Committee
September 19, 2011*

DATED JULY 24, 2012

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

Did the Natural Resources Stewardship Division Director ensure that:

(a) Exotic plant vegetation removal for the natural area sites was conducted in accordance with the management plan provisions for fiscal year 2011?

(b) Contracts for exotic removal and agreements for restoration projects administered by the Division were

monitored for compliance in accordance with Countywide and Departmental policies and procedures during fiscal year 2011?

(c) Management plans developed for natural area sites were in compliance with Division policies and procedures during fiscal year 2011?

WHAT WE FOUND

The Natural Resource Stewardship Division Director ensured that:

(a) Exotic plant vegetation removal for the natural area sites was conducted in accordance with the management plan provisions for fiscal year 2011,

(b) Contracts for restoration projects and for exotic plant removal, administered by the Division were monitored for

compliance with the respective agreement and administered in accordance with Countywide and departmental policies and procedures during fiscal year 2011, and

(c) Management plans developed for Natural Area sites were in compliance with Division policies and procedures, or as required by applicable grant for fiscal year 2011.

WHAT WE RECOMMEND

The audit report makes no recommendations

BACKGROUND

The Environmental Resource Management Department (Department) manages five major program areas: Environmental Enhancement and Restoration, Natural Resources Stewardship, Resources Protection, Shoreline Protection and Mosquito Control. The Palm Beach County Natural Area System (Natural Areas) is comprised of those environmentally sensitive lands that are owned or leased by the County and managed by the Natural Resources Stewardship Division (Division). These natural areas were selected on the basis of their biological characteristics and were acquired to preserve the rare and diverse native ecosystems present on these sites and the endangered, threatened, and rare species of plants and animals that live there.

The Division's Mission Statement is to "establish, maintain, and implement programs for the protection, preservation, and enhancement of the natural area land and water resources of the County." The

Division is comprised of three Sections whose responsibilities include both planning and capital construction elements, most of which are funded through non-Ad Valorem sources such as federal and state grants and mitigation funds. Primary services include:

- site security and protection;
- exotic vegetation control;
- development and updating of management plans;
- protection of natural areas through the granting of conservation easements;
- monitoring the status of natural resources and the success of restoration projects;
- development and maintenance of public use facilities;
- habitat restoration and enhancement, including hydrologic restoration and prescribed burning;
- data management and support.

The Division has a staff of 43 employees and a fiscal year 2012 budget of \$30 million.

AUDIT SCOPE AND METHODOLOGY

The audit of the Division was selected as a result of the Internal Auditor's risk assessment of County department operations, including departmental input. The risk identified was operational complexity, operating revenues, exotic plant maintenance, and contract management and oversight of restoration projects. Through interviews with Division's management and staff concerning these risk factors, review of Countywide, departmental, and divisional policies and procedures, prior audit reports, and other pertinent documentation, we selected the specific audit objectives cited above for detailed review and reporting.

The scope of our audit was fiscal year 2011. Audit field work was conducted at the Division from February through March 2012. To answer the Audit Objective, we obtained and reviewed Countywide, departmental, and divisional policies addressing exotic plant removal. We met with appropriate divisional management and staff to discuss actual processes used to manage the removal of exotics for natural area sites, and toured natural area sites observing exotic plant removal. We also reviewed evaluations of the exotic plant removal process performed by other external funding agencies. We obtained and reviewed the contract provisions for restoration projects, exotic plant removal agreement, and policies and procedures addressing contract administration. We met with

responsible management and staff and prepared a list of contract provisions to test for compliance with agreements and Countywide, departmental and divisional policies and procedures. We obtained and reviewed divisional policies and procedures addressing management plan development for natural area sites, and determined the status of management plan development.

Management is responsible for establishing effective internal control to help ensure that appropriate goals and objectives are met; resources are used efficiently, economically, and effectively, and are safeguarded; laws and regulations are followed; and reliable data is obtained and maintained and fairly disclosed. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

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

Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
June 25, 2012



Office of the County Internal Auditor
Audit Report #2012-09

FIRE RESCUE
SUPPORT SERVICES AND OPERATIONS
DIVISIONS
MEDICAL SUPPLIES



*Reviewed by Audit Committee
September 19, 2012*

DATED MAY 31, 2012

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following questions:

1. Did the Support Services Deputy Chief ensure that medical supplies ordered for the Medical Warehouse in FY 2011 and FY 2012 (through February 2012) in support of Operations' fire stations were ordered, received, stored and issued in accordance with internal Operating Procedures?
2. Did the Operations Deputy Chief ensure that medical supplies ordered for Operations' fire stations in FY 2011 and FY 2012 (through February 2012) were ordered and approved in accordance with internal Operating Procedures?

WHAT WE FOUND

1. The Support Services Deputy Chief generally ensured that medical supplies ordered for the Medical Warehouse in FY 2011 and FY 2012 (through February 2012) to support the requests of Operations' fire stations were ordered, received, stored and issued in accordance with internal Operating Procedures. However, the audit found weaknesses in the handling of orders placed with the District including (a) orders that were not approved, (b) unit costs for medical supplies not shown on invoices, and (c) incomplete documentation. In addition, we identified issues with the physical access to the Medical Warehouse.
2. The Operations Deputy Chief did not ensure that medical supplies ordered in FY 2011 and FY 2012 (through February 2012) for Operations' fire stations were ordered and approved in accordance with Operational Procedure IV-4 Medical Supplies Warehouse. The audit found that orders were placed by users not having authority, and some orders had no evidence of supervisory approval. In addition, management of medical supplies needed improvement.

WHAT WE RECOMMEND

The audit report makes eight recommendations to:

- Improve controls and documentation of medical supply purchases from the Health Care District;
- Limit access to the medical supplies warehouse to only those whose jobs require such access and limit the number of keys available to access the warehouse;
- Review the users who have approval authority in the computer system and re-

move those who no longer need that authority;

- Ensure that all medical supply orders are properly approved; and
- Establish a policy regarding medical supplies in the individual fire stations to ensure that supplies are properly stored and that out-of-date supplies are returned to the main warehouse rather than being put into services.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 Need for Improved Procedures for Health Care District Requisitions.

The audit found weaknesses in internal controls over the ordering of medical supplies from the District. The weaknesses were as follows:

- Orders to the District Were Not Approved As Required

Palm Beach County Fire Rescue Operational Procedure #I-39 entitled Purchasing and Payable Procedure (OP I-39) requires all requisitions be signed by the proper approving authority(ies). OP I-39 identifies authorized personnel that may

sign requisitions for items within their area of responsibility that are not capital purchases and less than \$7500 to include the Fleet Director, Capital Projects Coordinator, and Manager Inventory Management and Stores. Requisitions exceeding \$7500 require Department Administrator, Deputy Chief, or Director of Finance and Planning approval.

Our review showed that none of the 18 requisitions available for review that were submitted to the District in October, November, and December 2011 contained evidence of approval for the supplies.

- Costs Were Not Assigned to Medical Supplies

Palm Beach County (County) has had an Interlocal Agreement (Agreement) with the District for the purchase of Pharmaceutical Supplies and Medications since 1992. The Agreement states the District shall provide the County with the pharmaceutical supplies and/or medications ordered by the County. The County must utilize the District's Requisition Order form when placing an order for pharmaceutical supplies or medications. In addition to completing the Requisition Order form for the District, the Inventory Specialist creates a Purchase Order Blank in the iBEM system used to track the medications in inventory.

The Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government states transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. In addition, control activities help to ensure all transactions are completely and accurately recorded.

Our review of the District's Requisition Order form found there are no unit costs listed for the medications. According to the Agreement, the District will charge the actual cost paid for medications, therefore the unit cost on medications can fluctuate. When the Purchase Order Blank is created in the iBEM system unit costs are based on charges from previous orders and therefore may be inaccurate.

- Incomplete backup documentation

The Government Accountability Office's (GAO) Standards for Internal

Control in the Federal Government states all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

Our review of backup documentation for orders placed to the District in October, November, and December 2011 filed in the Department's Finance Section did not include a copy of the Purchase Order Blanks created in the iBEM system for the orders. Copies filed at the Medical Warehouse are discarded after 3 months leaving no audit trail of the amount requested on the original order.

Recommendations:

- (1) **The Support Services Deputy Chief should require orders placed to the District be reviewed and approved prior to the submission of a requisition in accordance with the Purchasing Approval Authority guidelines in OP I-39.**
- (2) **The Support Services Deputy Chief should ensure the District provides the Department a current price list on the cost of pharmaceutical supplies and/or medications ordered.**
- (3) **The Support Services Deputy Chief should require a copy of the Purchase Order be included with the backup documentation for all of the District's orders to provide an audit trail of the original order and verification of proper authorization.**

Finding 2 Need to Limit Access to the Medical Warehouse

Access to the Medical Warehouse requires either a badge (to the warehouse door or

elevator) or a key (to the warehouse door). Palm Beach County Fire Rescue Operational Procedure #IV-4 entitled Medical Supplies Warehouse (OP IV-4) requires the Medical Warehouse to be locked at all times and entry be limited to warehouse staff. Our review of access by Department employees found that warehouse staff, the Fleet Director and Capital Projects Manager, have badge and key access to the Medical Warehouse door and badge access to the elevator. In addition, the Deputy Chief of Support Services has badge access to the elevator and a key to the Medical Warehouse door, the Communications Coordinator has badge and key access to the Medical Warehouse door, and the Shop Superintendent and Executive Assistant have badge access to the elevator.

We also found 155 Facilities Development and Operation (FDO) employees, including two Storekeepers, a Receptionist, a Student Intern, two Systems Administrators, three Apprentices and a Public Art Program Administrator have badge access to the Medical Warehouse door. Other persons having access included a Parks and Recreation Maintenance Worker, a Water Utilities Utility Plant Operator Apprentice, a Library General Maintenance Mechanic and others for whom we could not identify by name.

In addition, we identified that the key to the Medical Warehouse also unlocks the door to the Vehicle Parts Warehouse.

Recommendations

(4) The Support Services Deputy Chief should review the list of employees with badge and key access to the Medical Supplies Warehouse and revoke the access of any employee that does not have a need to enter the warehouse unescorted. Badge access should

be the primary means used to enter the warehouse.

(5) The Support Services Deputy Chief should change the lock on the door to the Medical Warehouse and limit key access to management level employees for use only when the badge reader is not in service.

Finding 3 Station Medical Order Approver Rights Need Review and Enforcement in iBEM

Palm Beach County Fire Rescue OP IV-4 requires a Captain or Lieutenant to enter the station medical supply order into the iBEM system and the District Captain to approve the order for station delivery. Supplies considered 'Specialized' require the approval of the District Chief. Department Policy form IV-15 provides the list of 'Specialized' medical items which also include 2 items that require the approval of a Battalion Chief and 2 items that require the approval of a Division Chief.

We reviewed the list of 'approvers' in the iBEM system and found 10 individuals that did not meet the requirements of OP IV-4 for approvers. These individuals include two Captains, four Staff Captains, one Inventory Specialist, and three employees that are no longer employed by the Department.

We reviewed three medical supply orders from each station selected for testing that were completed in FY 2011 and found:

- An EMS Captain entered and approved an order without District Captain approval;
- A District Chief entered and approved an order that included a 'Specialized' item requiring a Battalion Chief's approval; and

- Two orders (one entered by the Inventory Specialist, one entered by a Lieutenant) with no approvals.

Recommendation

- (6) The Support Services and Operations Deputy Chiefs should review and update the list of ‘approvers’ in the iBEM system to conform with the requirements of OP IV-4, and have any ineligible users deleted from the list.**
- (7) The Operations Deputy Chief should ensure that all station medical supply orders entered into the iBEM system are properly approved.**

Finding 4 Policy Needed for the Management of Medical Supplies at Fire Stations

The International Organization for Standardization (ISO) 9001 – Inventory Control states that an item with a defined shelf-life should not be used past the expiration date and inventory should be rotated to make sure the older stock is used first.

Management was not able to provide a documented policy for the management of medical supplies delivered to Operations’ fire stations. In particular, management could not provide guidelines to ensure that the fire stations do not use expired medical supplies. Our review of 40 randomly selected medical supply items taken from the station medical supply ordering form (which contains approximately 350 items) at the selected fire stations in January and February 2012 found expired medical supplies in the medical supply storage areas and on emergency vehicles. For example, we found expired Ventilator, Circuits – Carevent and IV Catheters 14 gauge 1 ¼” in the storage area at fire stations 42 and expired Peroxide

Solution and Nitro-Paste Ointment 2% in the storage area at fire station 36. We also found expired IV Catheters 14 gauge 1 ¼” in the engines at all three fire stations and expired E.T. tube 4.0 mm on the engine and rescue at fire station 36. We were told by Operations staff that some items expire as they are rarely used.

In addition, our test of the rotation of inventory of 10 randomly selected medical supply items in January and February 2012 found medical supplies were not consistently rotated at two of the three fire stations. For example, at one station we found Sodium Chloride, Irrigation Bottles that expire May 2013 were in front of those expiring December 2012, and Atropine that expires December 2012 was found in front of those that expire in March 2012. At another fire station, we found Sodium Chloride, Irrigation Bottles that expire December 2013 were in front of bottles expiring August 2012 and Zofran that expires August 2013 was found in front of those that expire March 2013.

At the time of audit Operations’ fire stations had the responsibility for ordering and stocking the station’s medical supplies. However, Section officials told us consideration is being given to a pilot program to test the feasibility of having the Support Services Division take over the responsibility for the ordering, distribution, and stocking of medical supplies to the fire stations. According to Department staff, the pilot program, suggested as a cost savings, replicates the process used by Metro-Dade Fire Rescue.

Recommendation

- (8) **The Operations Deputy Chief should establish a policy for the management of medical supplies at the fire stations. The policy should at a minimum require the rotation of inventory when restocking medical supplies and a routine check of the expiration dates on the medical supplies in the storage area and on the emergency vehicles at the fire stations.**

Management Comments and Our Evaluation

In responding to a draft of this audit report, the Fire Administrator was in agreement with the findings and recommendations in the discussion draft report. He stated that recommendations 1, 2, 3, 4, 6 and 7 had been implemented. He also stated that actions to be taken for recommendations 5 and 8 are pending with target completion dates of September, 2012 for recommendation #5 and January, 2013 for recommendation #8. We agree with the actions taken and planned by the Fire Rescue Administrator.

BACKGROUND

The Fire Rescue Department (Department) provides fire, emergency medical services, advanced life support, and transport services to the unincorporated areas of Palm Beach County and several municipalities. The Department is comprised of four divisions-- Support Services; Operations; Safety Services; and Administrative Services. The Support Services Division (Support Services) is composed of three sections: Fleet Maintenance; Warehousing and Supplies; and Facilities and Capital Projects. The Operations Division (Operations) includes the Department's fire stations, and is responsible for ordering and use of medical supplies maintained in the Medical Warehouse.

Support Services' Warehousing and Supplies Section (Section) operates the Medical Warehouse, Fire Equipment and Personal Protective Equipment Warehouse, and the

Vehicle Parts Warehouse. The Section includes the inbound procurements of supplies and equipment, and out bound distribution to Operations' fire stations. The Department utilizes the inventory software system known as "Bar Control Enterprise Manager" (iBEM) to track consumable inventories, fixed assets, equipment and maintenance. The iBEM system provides a system to monitor the quantity, location and status of inventory and allows each of Operations' fire stations to place orders for needed supplies such as equipment, uniforms, and medical supplies.

Support Service's Fiscal Year 2012 budget is \$8.8 million and includes staffing of 47 positions. Operations Fiscal Year 2012 budget is \$316 million and includes staffing of 1,303 positions.

AUDIT SCOPE AND METHODOLOGY

The audit of Support Services was selected as a result of the internal auditor's risk assessment, which included input from County departments. The risk factors identified by the Department were station medical supply ordering and distribution and fuel dispensing. Through interviews with Support Services management, review of Department Operational Procedures, the County Budget Book for Fiscal Year 2011 and 2012, prior audit reports and other pertinent documentation, we selected the specific audit objectives cited above for detailed review and reporting. Although not originally part of the risk assessment applicable to this engagement, Operations was added as it is responsible for Department fire stations and the management of medical supplies used at the stations and aboard vehicles. Fuel dispensing will be addressed in a separate report.

The scope of the audit was FY 2011 and FY 2012 (through February 2012). Audit field work was conducted at Support Services and three of Operations' fire stations located in Delray Beach, Lake Park, and West Palm Beach. Field work on this assignment extended from December 2011 to March 2012.

To answer Audit Objective 1 we reviewed internal Operational Procedures for the Medical Supplies Warehouse. We also conducted a series of audit tests of transactions in FY 2011 and 2012 (through February 2012). These included tests of purchase orders for medical supplies, and approvals of requisitions for supplies ordered from the Palm Beach County Health Care District

(District). We also tested transactions for medical supplies ordered by three fire stations. We also reviewed access controls to the Medical Supply Warehouse.

To answer Audit Objective 2 we reviewed internal Operational Procedures relative to fire stations ordering of medical supplies and conducted audit tests of approvals for such orders. We also tested the expiration dates on a random sample of medical supplies maintained at three fire stations and on emergency vehicles assigned to the stations.

We selected one fire station in the north end, one in the south end and one in the central area of the county for testing. One of the three stations was a headquarters station.

Management is responsible for establishing effective internal control to help ensure that appropriate goals and objectives are met; resources are used efficiently, economically, and effectively, and are safeguarded; laws and regulations are followed; and reliable data is obtained and maintained and fairly disclosed. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained

will provide a reasonable basis for our findings and conclusions based on our audit objectives.

Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
May 31, 2012

ADMINISTRATIVE RESPONSE



Fire Rescue

Chief Steven B. Jerauld
405 Pike Road
West Palm Beach, FL 33411
(561) 616-7000
www.pbcgov.com

**Palm Beach County
Board of County
Commissioners**

Shelley Vana, Chair

Steven L. Abrams, Vice Chairman

Karen T. Marcus

Paulette Burdick

Burt Aaronson

Jess R. Santamaria

Priscilla A. Taylor

County Administrator

Robert Weisman

August 2, 2012

Joseph F. Bergeron, Internal Auditor
Palm Beach County Internal Auditor
2300 Jog Road
West Palm Beach, Florida 33411

Re: Internal Audit Report - Support Services Division
Medical Supply Ordering

Dear Mr. Bergeron:

I am writing this letter in response to the recent Internal Audit Report regarding Palm Beach County Fire Rescue's Medical Supply Ordering process. I offer the following responses to your office's recommendations:

1. The Support Services Deputy Chief should require orders placed to the District be reviewed and approved prior to the submission of a requisition in accordance with the Purchasing Approval Authority guidelines in OP I-39.
This recommendation has been implemented.
2. The Support Services Deputy Chief should ensure the District provides the Department a current price list on the cost of pharmaceutical supplies and/or medications ordered.
With assistance from the Health Care District, this recommendation has been implemented.
3. The Support Services Deputy Chief should require a copy of the Purchase Order be included with the backup documentation for all of the District's orders to provide an audit trail of the original order and verification of proper authorization.
This recommendation has been implemented. As some 50% of each order cannot be fulfilled due to national backorder medication shortages, a Purchase Order is included in backup documentation, in order to process payment for the portion of the order actually received.
4. The Support Services Deputy Chief should review the list of employees with badge and key access to the Medical

"An Equal Opportunity
Affirmative Action Employer"

Official Electronic Letterhead

Supplies Warehouse and revoke the access of any employee that does not have a need to enter the warehouse unescorted. Badge access should be the primary means used to enter the warehouse.

This recommendation has been implemented with the assistance of ESS. Badge access is now restricted to only Fire Rescue Medical Supply Staff and Managers (approximately 6 persons). Identical access restrictions have been requested for the warehouse freight elevator providing access to the same area.

5. The Support Services Deputy Chief should change the lock on the door to the Medical Warehouse and limit key access to management level employees for use only when the badge reader is not in service.

This recommendation is being implemented.

6. The Support Services and Operations Deputy Chiefs should review and update the list of 'approvers' in the iBEM system to conform with the requirements of OP IV-4, and have any ineligible users deleted from the list.

This recommendation has been implemented.

7. The Operations Deputy Chief should ensure that all station medical supply orders entered into the iBEM system are properly approved.

This recommendation has been implemented. We have changed procedures to prevent District Captains from approving their own orders. District Captain orders are now approved only by Warehouse Management staff.

8. The Operations Deputy Chief should establish a policy for the management of medical supplies at the fire stations. The policy should at a minimum require the rotation of inventory when restocking medical supplies and a routine check of the expiration dates on the medical supplies in the storage area and on the emergency vehicles at the fire stations.

To address this recommendation, we have piloted a Medical Supply Order and Delivery System which puts responsibility for ordering and stocking entirely on Support Services staff. They have reorganized medical supply rooms in the fire stations, established realistic minimum/maximum inventory levels, and done ordering and stocking directly. This included monitoring of expiration dates and appropriate stock rotation. 5 stations were part of the trial implementation and the results support expansion of the concept.

Support Service personnel now perform field audits of medical closets and station medical supply orders in stations which are not currently part of the trial program described above.

Should you have any questions please do not hesitate to contact me.

Sincerely,



Steven B. Jerauld
Fire Chief

SBJ/lc

Cc: James St. Pierre, Deputy Chief
Timothy Calhoun, Fleet Director

Joe Bergeron F.

From: Steve Jerauld
Sent: Monday, August 06, 2012 11:55 AM
To: Joe Bergeron F.
Cc: Timothy Calhoun; James St. Pierre
Subject: RE: replies to audit reports on Fuel Dispensing and Medical Supply Ordering

See responses below. SJ

From: Joe Bergeron F.
Sent: Monday, August 06, 2012 10:39 AM
To: Steve Jerauld
Subject: replies to audit reports on Fuel Dispensing and Medical Supply Ordering

Steve, the responses to the two audit reports are much improved over the originals. However, a few of the responses have no projected implementation dates. I need those dates to be able to schedule follow-up inquiries.

There is no need to revise the two memos. If you can address the missing dates in reply to this e-mail I will incorporate into the final report.

Dates are needed for the following:

Medical Supply Ordering

#s 5, 1 month and 8, 6 months.

Fuel Dispensing

#s 1 (the second improvement), 6 months to install first two FCT's, 2, 1 month and 3, 2 months.

Thanks, Joe B.



Office of the County Internal Auditor
Audit Report #2012-10

FIRE RESCUE
SUPPORT SERVICES
ACCOUNTING FOR FUEL DISPERSED



*Reviewed by Audit Committee
September 19, 2012*

DATED MAY 31, 2012

WHY WE CONDUCTED THIS AUDIT

We conducted this audit to answer the following question:

- | | |
|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 1. Did the Fire Rescue Administrator ensure that fuel dispersed to Department vehicles in | Fiscal Year 2011 was accounted for in accordance with Operational Procedures IV-2? |
|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|

WHAT WE FOUND

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. The Fire Rescue Administrator did not ensure that fuel dispersed to Department vehicles in Fiscal Year 2011 was accounted for in accordance with Operational Procedure IV-2. The audit found that, in Fiscal Year 2011, entries into the iBEM system for fuel dispersed to Department vehicles ac- | counted for about 50 percent of diesel and unleaded fuel dispersed at Department fueling sites. Similarly, entries into the iBEM system for fuel dispersed to Department vehicles from County sites accounted for about 75 percent of the total of diesel and unleaded fuel. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

WHAT WE RECOMMEND

The audit report makes three recommendations to:

- Review the actions suggested in this audit report and consider taking action as needed to better account for fuel dispersed to Department vehicles at both Department and Fleet Management sites.;
- Improve internal controls over access to fuel pumps and fuel tanks at Department

sites by having separate keys for use by Fleet Management and the Department; and

- Revise Operational Procedure IV-2 to require entry in the iBEM system for all fuel utilization without regard to the source of the fuel.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 Accounting for Fuel Utilization Needs Improvement

Fire Rescue Operational Procedure IV-2 requires all personnel to record certain information every time a vehicle is fueled at a Fire Rescue fuel facility and to record that information in the iBEM system. OP IV-2 does not require any entries in the iBEM system for fuel dispersed at a County fuel facility. We believe the OP should require

all fuel usage to be recorded in the iBEM system.

The table below shows the amounts of fuel provided to the Department by County Fleet Management and the amounts of fuel entered in the iBEM system for FY 2011. The information in the table came from reports provided by the Support Services Fleet Director and County Fleet Management.

	iBEM	County Fleet	Variance	% Variance
Diesel fuel	191,014	356,293	165,279	46.4%
Gasoline	67,536	116,907	49,371	42.2%
Total	258,550	473,200	214,650	45.4%

The Support Services report showed significant differences in accounting for fuel dispersed by fire station. For example, for diesel fuel, the report showed a low of 29 percent to a high of 95 percent for individual fire stations. There were similar variances noted for regular unleaded fuel. There were also differences between fuel billed to the Department dispersed from County fueling stations and that logged in the iBEM system. The report identified that 78 percent of the diesel fuel and 70 percent of the regular unleaded fuel was recorded in the iBEM system.

Our tests of fuel dispersed at Department stations with amounts logged to iBEM showed variances from several different sources. For example, for the month of January 2012, we found several duplicate odometer readings for a day at one of the fire stations tested, and noted what appeared to

be missing transactions at another fire station. We also noted invalid odometer and fuel meter readings, and duplicate entries from the same fueling transaction. We learned that, while the iBEM system has limited error checking routines, the user can simply override or ignore the system error and force data entry on transactions.

We also noted that keys used to access the fuel pumps and fill tanks by both Fleet Management and the Department were identical. Therefore, both have access to the fill tank and the fuel pump. According to the Government Accountability Office Standards of Internal Control, key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. In our view, Fleet Management should not have access to the Department's fuel pumps, nor should the Department have

access to the fill tanks maintained by Fleet Management.

We spoke with Support Services Division officials about the problem in accounting for fuel for Department vehicles. Officials told us that they were aware of the issue and believed it was important enough to warrant further actions to improve accounting for the fuel dispersed at both County and Department sites. Officials told us of several actions that were recently taken, including:

- Reports sent to users of Department vehicles concerning non-fueling of vehicles over a period of time. For example, a report dated December 7, 2011 cited that 272 vehicles had not been re-fueled in the past eight days.
- Analysis of fuel dispersed from both County and Department sites and the amounts shown in iBEM for the period January through March 2012. This report showed significant improvement in accounting with about 86 percent of the regular unleaded fuel accounted for at both County and Department sites, and over 100 percent accounted for in the case of diesel fuel. According to the analysis, it is possible to record in iBEM more than 100 percent of fuel delivered due to amounts already in inventory (storage tanks) when a new delivery is made. Our review of this report revealed an error in calculating the number of gallons of diesel fuel delivered by County Fleet Management resulting in a restated accountability percentage for diesel fuel of 75%.

We also spoke with the County's Director of Fleet Management regarding fuel accountability practices. According to the Director of Fleet Management he routinely reconciles fuel consumption across all vehicles with

fuel purchases. This reconciliation is supported by data electronically gathered in the EJWard fuel management system. The Director suggested the potential for extension of the EJWard system to the Fire Rescue Department fueling system.

In conclusion, we believe the Support Services Deputy Director has been aware of the problem in accounting for fuel and has recently taken actions that could, over time, correct the deficiencies noted. In our view, other actions which could be considered include (1) purchase of a system similar to the EJWard presently being used by Fleet Management, (2) Department-wide notices issued by the Administrator requiring all staff to ensure compliance with Operational Procedure IV-2, (3) increasing analyses of vehicle use with fuel consumption to identify potential 'red flags' in fuel usage, (4) issuing separate keys for fuel fill tanks and fuel pumps at Department fueling sites, and (5) considering extending the County's fuel management system to the Department's fueling sites.

Recommendations:

- (1) **The Fire Rescue Administrator should review the actions suggested in this audit report and consider taking action as needed to better account for fuel dispersed to Department vehicles at both Department and Fleet Management sites.**
- (2) **The Fire Rescue Administrator should improve internal controls over access to fuel pumps and fuel tanks at Department sites by having separate keys for use by Fleet Management and the Department.**

- (3) **The Fire Rescue Administrator should revise Operational Procedure IV-2 to require entry in the iBEM system for all fuel utilization without regard to the source of the fuel.**

Management Comments and Our Evaluation

In responding to a draft of this audit report, the Fire Rescue Administrator indicated that actions would be taken to address each of the recommendations.

As to Recommendation #1, the Administrator stated the department would be implementing two methods to improve accounting for fuel dispensed. First, a direct computer linkage from the County Fleet system to the Fire Rescue IBEM system was established and implemented on August 1, 2012. Second, the installation of fuel control ter-

minals at two high usage stations as a test to determine if this approach is effective. Installation of the two terminals is projected for January, 2013. If effective, the terminals would be phased in to all other stations.

As to Recommendation #2, the Administrator stated that new locks for the fuel tank fill ports had been ordered and that only the Deputy Chief of Logistics and the County Fleet Director would have keys. This should be accomplished by September, 2012.

As to Recommendation #3, the Administrator stated that operational procedures would be rewritten upon completion of the changes addressed in the responses to Recommendations #1 and 2 above.

We agree with the actions taken and planned as stated by the Fire Rescue Administrator.

BACKGROUND

The Fire Rescue Department (Department) maintains a fleet of approximately 340 vehicles including staff, support, and command vehicles. Vehicles range from general use sedans to specialized fire equipment trucks. The Department's vehicles and trucks may be fueled at individual fire stations having that capability, County Fleet Maintenance facilities, or specifically approved commercial gas stations. Among the fueling options are 39 fire stations having diesel and/or unleaded regular fuel, a Headquarters Training Facility having diesel fuel

only, and 14 County sites having both diesel and unleaded regular fuel.

According to County Fleet Management records, over 300,000 gallons of diesel fuel and more than 60,000 gallons of unleaded fuel were delivered to Department fueling sites (fire stations and the Headquarters Training Facility) in Fiscal Year 2011. In addition, Department vehicles and trucks used about 21,000 gallons of diesel fuel and 50,000 gallons of unleaded fuel from the County's 14 fuel sites during Fiscal Year 2011. Thus, more than 400,000 gallons of

diesel and unleaded regular fuel was dispersed to the Department's fleet in Fiscal Year 2011.

Operators of the Department's vehicles are individually responsible for entering information on fuel dispensed to their vehicles, whether obtained at County, Department, or commercial sites. The Department utilizes the BarControl Enterprise Manager (iBEM) to account for, among other operations, fuel dispensed to its vehicles. The Department's Deputy Chief of the Support Services Division is responsible for maintenance of the iBEM system as relates to fuel; however, vehicles and trucks using fuel are assigned throughout the Department, with the Operations Division accounting for the majority.

The County and Department have different procedures for dispersing fuel to vehicles. In order to obtain fuel at a County site, the vehicle user must have two identification cards---one identifying the person using the fuel pump and the other identifying the vehicle to be fueled. Each of the County fuel pumps are connected to the EJWard automated fuel management system. The vehicle operator must enter the vehicle odometer reading which, if validated by the EJ-

Ward system, allows fueling to occur at the pump. The Department has issued County fuel cards to most users of its vehicles encouraging their use at County sites so as to not incur the delivery fee charged to the Department by Fleet Management for fuel delivered to the Department's fuel sites.

Department fuel sites are manual with no automated fuel management system. All pumps are padlocked and keys to the fuel pumps are used to dispense fuel. Separate keys are required for operating the diesel and regular unleaded fuel pumps. The Department assigns keys based on the type of fuel used. After dispensing fuel, the user records specific information for entry into iBEM. Operational Procedure IV-2 entitled "Fuel Dispersal" outlines specific information required which includes the asset number, odometer reading, fuel meter reading, gallons pumped and location fueled. Department users are required to enter the same information into iBEM regardless of where fuel is obtained; therefore, the amount of fuel dispensed from County and Department sites should agree with amounts recorded in iBEM.

AUDIT SCOPE AND METHODOLOGY

This audit was requested by the Deputy Chief of the Support Services Division. In making this request, the Deputy Chief informed us of an issue involved in accounting for fuel dispersed to the Department's vehicles, and asked us to make an independent

analysis to help the Department determine options in mitigating any risk involved.

The scope of the audit was Fiscal Year 2011 and Fiscal Year 2012 (to January 31, 2012) and included reviews of reports generated by the iBEM system, discussions with Depart-

ment officials, and testing of information maintained at selected fire stations for January 2012. Audit field work was conducted at Fire Rescue Fleet Headquarters and selected fire stations from January through March 2012. Field work on this assignment was conducted simultaneously with work on the audit of the Department's Medical Supply Warehouse, for which a separate report is being issued.

To answer the Audit Objective we reviewed internal Operational Procedures for fuel dispersal, primarily Operational Procedure IV-2 entitled "Fuel Dispersal". We reviewed fuel data in the iBEM system and compared the data to billing reports provided by Fleet Management for FY 2011. We observed the dispersal of fuel from the fire station's fuel pumps and from the County's main fueling station. We tested transactions logged in the iBEM system in January 2012 for a random sample of three Fire Stations. We also discussed options with the County's Fleet Management Director.

Management is responsible for establishing effective internal control to help ensure that appropriate goals and objectives are met; resources are used efficiently, economically, and effectively, and are safeguarded; laws and regulations are followed; and reliable data is obtained and maintained and fairly disclosed. We are responsible for using professional judgment in establishing the scope and methodology of our work, determining the tests and procedures to be performed, conducting the work, and reporting the results.

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

Joseph F. Bergeron, CPA, CIA, CGAP
Internal Auditor
May 31, 2012

ADMINISTRATIVE RESPONSE



Fire Rescue

Chief Steven B. Jerauld
405 Pike Road
West Palm Beach, FL 33411
(561) 616-7000
www.pbcgov.com

**Palm Beach County
Board of County
Commissioners**

Shelley Vana, Chair
Steven L. Abrams, Vice Chairman
Karen T. Marcus
Paulette Burdick
Burt Aaronson
Jess R. Santamaria
Priscilla A. Taylor

County Administrator

Robert Weisman

August 2, 2012

Joseph F. Bergeron, Internal Auditor
Palm Beach County Internal Auditor
2300 Jog Road
West Palm Beach, Florida 33411

Re: Internal Audit Report - Support Services Division
Accounting for Fuel Dispensing

Dear Mr. Bergeron:

I am writing this letter in response to the recent Internal Audit Report regarding Palm Beach County Fire Rescue's accounting for fuel dispensing process. I offer the following responses to your office's recommendations:

1. The Fire Rescue Administrator should review the actions suggested in this audit report and consider taking action as needed to better account for fuel dispersed to Department vehicles at both Department and Fleet Management sites.

The Department is proceeding with two methods to improve the recording of fuel into IBEM and accounting for all fuel used. First, we have accomplished computer programming that transfers details of fuel dispensed at County owned fuel sites directly into the Fire Rescue IBEM system. This was implemented as of August 1, 2012. This is intended to encourage use of County fuel sites by eliminating the need for the driver to make a manual entry into IBEM.

The second improvement is the installation of fuel control terminals at two high fuel usage stations, 23 and 34. The work order has been submitted to FDO. Assuming this proves effective; we intend to phase in fuel control terminals at all other stations. Until all stations have FCT's we will continue to monitor usage through current reports from County Fleet and IBEM, and reconcile fuel used monthly. Continued attention to these reports is improving fuel entry compliance.

Continued..

"An Equal Opportunity
Affirmative Action Employer"

2. The Fire Rescue Administrator should improve internal controls over access to fuel pumps and fuel tanks at Department sites by having separate keys for use by Fleet Management and the Department.

Locks for the fuel tank fill ports are on order and will be installed by County Fleet. Only the Fire Rescue Deputy Chief of Logistics and the Fleet Director will have keys.

3. The Fire Rescue Administrator should revise Operational Procedure IV-2 to require entry in the iBEM system for all fuel utilization without regard to the source of the fuel.

Operational Procedure IV-2 will be rewritten upon completion of the changes outlined above.

Should you have any questions please do not hesitate to contact me.

Sincerely,



Steven B. Jerauld
Fire Chief

SBJ/lc:ek

Cc: James St. Pierre, Deputy Chief
Timothy Calhoun, Fleet Director

Joe Bergeron F.

From: Steve Jerauld
Sent: Monday, August 06, 2012 11:55 AM
To: Joe Bergeron F.
Cc: Timothy Calhoun; James St. Pierre
Subject: RE: replies to audit reports on Fuel Dispensing and Medical Supply Ordering

See responses below. SJ

From: Joe Bergeron F.
Sent: Monday, August 06, 2012 10:39 AM
To: Steve Jerauld
Subject: replies to audit reports on Fuel Dispensing and Medical Supply Ordering

Steve, the responses to the two audit reports are much improved over the originals. However, a few of the responses have no projected implementation dates. I need those dates to be able to schedule follow-up inquiries.

There is no need to revise the two memos. If you can address the missing dates in reply to this e-mail I will incorporate into the final report.

Dates are needed for the following:

Medical Supply Ordering

#s 5, 1 month and 8, 6 months.

Fuel Dispensing

#s 1 (the second improvement), 6 months to install first two FCT's, 2, 1 month and 3, 2 months.

Thanks, Joe B.