

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Wm. Butch Britt, Acting Director
Public Works Agency

Date: July 25, 2008

From: Christine L. Cohen

Subject: VERIFICATION OF FRAUD HOTLINE ISSUE 08-0008
WATERSHED PROTECTION DISTRICT (WPD) TRUST ACCOUNT CHARGES AND PAYMENTS

We have completed our verification of Fraud Hotline Issue 08-0008, regarding WPD's trust account charges and payments. The issue was identified as the result of a call received on the Auditor-Controller Employee Fraud Hotline on September 18, 2007.

This report is not deemed confidential since the results of our verification related to the propriety of a policy, system or procedure, and not the conduct of particular employees operating thereunder. Therefore, this report may be subject to public inspection in accordance with Government Code Sections 6254(c) and 6255.

BACKGROUND: WPD issues watercourse/encroachment permits for flood control purposes. The WPD permit process requires applicants to complete a permit application, which includes providing a \$2,000 trust deposit. The trust deposit is mainly utilized for labor billing costs incurred by WPD staff in the review of plans, investigations, and inspections. WPD service rates are approved by the Board of Supervisors annually.

ALLEGATIONS: The complainant alleged that WPD improperly charged for services rendered and misappropriated trust funds. Specifically, the complainant questioned: the labor fees charged; third party charges; and the reasonableness of WPD's depositing and posting of payments to trust accounts.

SCOPE: Our overall objective was to assess the validity of the complainant's allegations regarding WPD's trust account charges and payments. Our verification included discussions with WPD management and staff and the review of: the charges incurred by the complainant; WPD service/labor rate schedules; and the complainant's trust account ledger. For our verification, we used documents from July 21, 2005 through May 15, 2008.

RESULTS:

We did not substantiate the complainant's allegations. Specifically, we found that charges for services rendered appeared to be appropriate and supported properly. Also, we did not identify any third party charges against the complainant's trust account. Furthermore, we determined that WPD's procedures for depositing and posting of payments appeared reasonable.

However, we did note that improvements could be made in obtaining proper documentation during the permit application process and providing sufficient labor rate information to permit applicants. Summarized below are the details of the areas where improvements were needed. WPD management initiated corrective action during the verification as noted.

1. **Permit Application.** WPD did not obtain a completed and signed permit application from the complainant prior to initiation of the project. A completed permit application is required by Section 8 of Ventura County Flood Control District Ordinance No. FC 18, enacted on May 2, 1972. The permit application requires that the applicant: provide specific information on the proposed project; sign the application to acknowledge compliance with certain regulatory requirements; and submit a deposit with WPD prior to commencement of work. However, although WPD received the required \$2,000 deposit in July 2005, WPD performed nearly \$10,000 worth of work on the project through October 2007 without a valid permit application. Ultimately, obtaining a completed and signed application from all applicants would demonstrate that the permit applicants understood and were in agreement with the WPD permit application process.

Management Action. WPD management concurred with the finding and stated: "The Permit Section will not proceed with the application process until the applicant provides all information about the work intended to be performed and submits a signed permit application. Action will be completed by July 24, 2008."

2. **Labor Rate Schedule.** The WPD watercourse/encroachment permit application packet did not provide the complainant or other permit applicants with a copy of the staff labor rate schedule. The permit application packet contained the permit application and the modifications form, as well as instructions for completing these documents. However, WPD provided permit applicants with a statement/invoice and a detail of expenditures, which included staff labor rates, only after charges were incurred and billed. Including a copy of the staff rate schedule in the permit application packet would provide applicants with the necessary information to better manage time spent with WPD staff.

Management Action. WPD management concurred with the finding and stated: "The Permit Section intends to 1) Develop a Staff Rate Schedule, 2) Attach the schedule to the 'Instructions for Completing the Watercourse / Encroachment Permit Application and the Modification Forms' and 3) Make reference to attached schedule on Instructions. Action will be completed by July 31, 2008."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION: We believe that management actions taken or planned were responsive to the verification findings. Management planned to complete corrective actions by July 31, 2008.

We appreciate the cooperation and assistance extended by you and your staff during our verification.

cc: Honorable Peter C. Foy, Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable John K. Flynn, Board of Supervisors
Marty Robinson, County Executive Officer