

**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Bob Roper, Fire Chief

Date: November 29, 2010

From: Christine L. Cohen

**Subject: FOLLOW-UP AUDIT OF THE VENTURA COUNTY FIRE PROTECTION DISTRICT'S
CASH COLLECTION PROCESS**

We have completed our follow-up audit of the Ventura County Fire Protection District's (VCFPD's) cash collection process. The results of our follow-up audit are summarized below.

BACKGROUND

VCFPD provides fire protection, emergency medical, community education, suppression, hazardous material monitoring, rescue and related emergency services to the communities within the district. VCFPD maintained 31 fire stations and responded to approximately 32,864 fires, rescues, and public service calls in fiscal year (FY) 2008-09. VCFPD recognized approximately \$125 million in total revenues in FY 2009-10 compared to \$140 million in FY 2008-09. The decrease was primarily due to a reduction of \$8 million in reimbursement for emergency services as well as significant reduction in other revenue sources.

Fees for services such as plan checks and inspections are collected by VCFPD's Fire Prevention Bureau (Prevention) at three satellite customer service counters in Simi Valley, Thousand Oaks, and the Ventura County Government Center. Fees are also collected at the Camarillo Headquarters (HQ). Such charges are governed by the Fee Schedule approved annually by the Board of Supervisors and accounted for approximately \$500,000 of VCFPD revenues in FY 2009-10.

SCOPE

Our overall audit objective was to determine whether proper corrective actions were implemented by VCFPD management to address the issues noted in our prior audit report dated September 28, 2007. Specifically, we:

- evaluated the adequacy of oversight of cash receipt activities;
- assessed the extent and effectiveness of automation of the collection process;
- determined whether controls were adequate to ensure accurate assignment of client fees;
- evaluated whether collection and deposit controls supported accountability of funds;
- reviewed procedures for safeguarding cash against loss and misappropriation; and
- verified that manual cash receipt documents were adequately controlled.

We performed audit tests and evaluations using documents and records provided by VCFPD management and the Auditor-Controller's Office. Our audit evaluated cash operations at the Camarillo HQ as well as all three of the satellite locations where over-the-counter collections occurred. The audit was performed in conformance

with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents and records for the period October 2009 through June 2010.

FINDINGS

Overall, VCFPD made significant progress in improving the cash collection process. Our follow-up audit found that VCFPD management had effectively completed corrective action or taken considerable steps in implementing corrective action on all of the findings in the prior audit report.

Specifically, we noted that VCFPD has taken proactive measures to improve fiscal oversight and strengthen internal controls. For example, VCFPD participated in the 2007 Control Self-Assessment Program, assessing risk and identifying improvements in the cash management area. VCFPD also developed appropriate policies and procedures for both the Fire Fiscal Bureau and the Fire Prevention Bureau to adequately address critical cash collection activities.

Most notably since the prior audit, however, has been the automation of the fee assessment and receipting features of the Tidemark project database system. Our audit results indicated that the collections management functionality of Tidemark allowed accurate processing of cash receipts while maintaining appropriate access to and segregation of cash functions. The use of Tidemark also enabled the consistent and accurate assignment of many of the service fees for client permits. Receipts could be more readily traced to client accounts and the risks related to the accounting for receipt numbers had been addressed by the sequential generation of receipts by Tidemark. Internal controls were further strengthened by limiting the use of manual receipts to non-Prevention activities, thus reducing the overall number of manual receipts issued.

Our audit verified that adequate monitoring controls, in the forms of independent reviews and reconciliations, had been put in place to provide reasonable assurance over the accuracy of receipts where manual processes were still required. We further confirmed that corrective actions had been taken to strengthen accountability for manual receipts by tracking receipt numbers, restricting user access, implementing receipt book release and tracking procedures, and limiting the use of receipt books to the HQ location only.

We also found that security procedures were adequate for cash and check collection, storage during and after business hours, emergency handling, accountability during staff change-overs, pick-up and transport from satellite counters to HQ, and transport to the bank for deposit.

This report does not contain findings requiring corrective action by VCFPD management.

We appreciate the cooperation and assistance extended by you and your staff during this follow-up audit.

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