



P I N A L • C O U N T Y

Wide open opportunity

Emergency Planning Department

Internal Audit

May 2014

REDW^{LLC}

CPAs | Business & Financial Advisors

Pinal County Emergency Planning Department Internal Audit

Executive Summary

SUMMARY OF PROCEDURES

We tested processes within the Pinal County Emergency Planning department to determine whether the grant and financial management, emergency authorization, and resource reporting processes reflected best practices and sound internal controls. There were no documented internal policies and procedures (P&Ps) in place to test against; therefore, testing requirements came from regulations or discussions with personnel regarding department processes. To gain an understanding of the processes and controls in place, we interviewed selected personnel and read applicable documents, laws and regulations.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Based on our testing, most processes and procedures do not appear to be consistently followed and errors/issues were identified throughout the audit. Inconsistencies were found in the grant and financial management processes and in resource reporting.

Significant high risk observations are presented below:

- **Budget Monitoring and Financial Planning**—The department does not appear to be effectively utilizing the budget to help manage and meet its goals and needs. The budget should be used as a tool to monitor goals and assist with meeting resource needs.
- **Lack of Formal Internal Policies and Procedures**—Throughout our audit, we observed that P&P the Emergency Planning department has minimal documented P&Ps. Formal internal P&Ps should be drafted, reviewed, and approved for all critical functions.
- **Emergency Authorization**—At the time of the audit, emergency situations were conducted and issued by the County Emergency Planning Director without evidence of delegation or authorization by the Board of Supervisors. On a regular basis the Emergency Planning department should provide a written document for the Board of Supervisors, which describes the roles and responsibilities and delegation of authority by the Board in the event of an emergency.

- **Resource Compilation and Reporting**—A listing of trained and available personnel, inventory, facilities, equipment, and other resources available in the event of an emergency had not been maintained or updated by the department. Annually, the department should update the resource lists and maintain these internally to ensure resource listings can be used in the event of an emergency.
- **Grant Expense Reimbursement**—Requirements that the County match federal funding may not be complied with because the reimbursement process is not consistent or effective. A new process should be considered to minimize the risk of overspending the federal grant portion and to ensure compliance with the 50% County matching requirement.
- **Grant Application Process**—There does not appear to be a formal process to apply for and track potential grant opportunities. A process should be implemented and completed by the departmental accountant to monitor available grant opportunities and apply as they become available.

Further details on this observation, as well as management responses and additional lower risk observations, are included in the attached report.

REDW LLC

Albuquerque, New Mexico
July 8, 2014

Pinal County
Emergency Planning Department Internal Audit

Table of Contents

	<u>Page</u>
INTRODUCTION	1
PURPOSE AND OBJECTIVES	1
DEPARTMENTAL OVERVIEW	1
SCOPE AND PROCEDURES PERFORMED	2
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE	3
ADDITIONAL CONSIDERATION	15

Pinal County Emergency Planning Department Internal Audit Report

INTRODUCTION

We performed the internal audit services described below to assist Pinal County in evaluating compliance with various Emergency Planning department policies and procedures. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating the Emergency Planning department's grant and financial management processes, emergency authorization policies, and compliance with state resource reporting statutes to determine if they were in compliance with internal processes and reflected best practices and sound internal controls. There were no documented internal policies and procedures (P&Ps) in place to test against; therefore, testing requirements came from applicable regulations or discussions with personnel on the processes that should be in place. We evaluated: the available budget for the department as well as the reimbursements for the largest grant awarded to the department; the emergency activation and authorization process; and the resource collection and reporting process.

DEPARTMENTAL OVERVIEW

Pinal County Office of Emergency Management directs the continuing development of Pinal's Comprehensive Emergency Management (CEM) system. CEM provides the framework for activities in four distinct phases of an emergency or disaster cycle: (a) mitigation activities, which may lessen the damages and losses caused by various hazards; (b) preparedness activities,

such as planning, training and exercises/drills, which enable the state and local governments and private sector to better respond to emergency events; (c) response activities during actual emergencies, such as the issuing of warnings, mobilization of response personnel and equipment, coordination of resources; and (d) recovery activities after an emergency or disaster which assist local governments and individuals to restore public facilities, homes, and businesses. The objective of all CEM system programs, upon the occurrence of natural, technological disasters or other significant emergency conditions in Pinal County, is to: minimize injury and loss of life, reduce property damage and economic loss, restore essential community and public services, and expedite the recovery of affected communities. The CEM system provides a structural approach toward reducing the impact of disasters through disaster mitigation programs and the coordination of federal, state and local government agencies to respond to, and recover from disasters through training and emergency response planning.

SCOPE AND PROCEDURES PERFORMED

Policies, Procedures, and Interviews: In order to gain an understanding of processes and controls in place at Emergency Planning, we had several discussions with the Director of Emergency Planning regarding departmental processes. Our audit focused on the grant and financial management, emergency authorization, and resource reporting processes. Additionally, we read various documents, researched applicable laws and regulations, and interviewed or received information from the following personnel:

- Lewis Andersen, Director of Public Works
- Lou Miranda, Director of Emergency Planning
- Michael Simpson, Emergency Planner
- Art Carlton, Emergency Planner
- Jacque Armstrong, Finance Manager
- Tim Ruiz, Budget Analyst
- Cindy Perez, Interim Emergency Management Accountant
- Linda Sloan-Compton, Former Emergency Management Accountant

Sample Selection and Testing:

1. *Grant and Financial Management:* In order to test the grant and financial management processes and controls, we sampled the budget to actual reports for fiscal years (FY) 2013 and 2014, covering a period of July 2012 through May 2014. Each high-level category of the reports was analyzed with particular attention to higher risk areas such as revenue and labor. The following procedures were performed:
 - Obtained an understanding of the grant applications available and those that were currently held by the Emergency Planning department.
 - Obtained an understanding of the application process.
 - Obtained an understanding of grant funding in relation to the budget process.

- Obtained an understanding of the P&Ps regarding the budget available for Emergency Planning.
 - Analyzed the FY 13 and FY 14 budget to actual to determine grant revenue was received and recorded and expenses appeared reasonable.
2. *Emergency Authorization:* In order to test the emergency authorization processes and controls, we discussed the current process with Emergency Planning personnel. Testing was conducted to determine if Board of Supervisors authorization was obtained in the course of department emergency activation. The following procedures were performed:
- Obtained an understanding of the Emergency Operation Center (EOC) personnel and responsibilities.
 - Obtained an understanding of the Emergency Planning department emergency authorization process.
 - Ensured the current process for EOC initiation complies with Arizona state statutes.
3. *Resource Reporting:* In order to test the annual resource reporting processes and controls, we reviewed the resource compilation and reporting process for the period of April 2013 through April 2014. We determined if:
- The list of public and private organizations within the County, which have personnel trained and available for assisting in meeting emergency needs, was prepared in accordance with statute;
 - The inventory of facilities, equipment, supplies and other resources available for use in meeting emergency needs was prepared and available in accordance with statute;
 - The lists were updated on an annual basis; and,
 - The lists were sent to the State Director of Emergency Management.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

We identified the following weaknesses in the Emergency Planning internal controls and policies and procedures:

1. Budget Monitoring and Financial Planning

The budget is a tool to help departments meet their annual goals while being fiscally responsible to the organization. Based on our audit, the Emergency Planning department budget is not used as a planning tool, particularly for the Strategic Plan which drives the activities of the department on a three year basis. The budget appears to only be reviewed at a high level (i.e. “travel,” “equipment,” and “services”). One of the main concerns of the department was the availability of resources. An analysis of the budget found that \$445,000, which was approximately 65% of the total annual budget, remained unspent with approximately one month remaining in the fiscal year. The department appeared to have the financial resources available to hire additional assistant personnel and purchase new equipment.

Additionally, at the time of the audit, the budget to actual documentation showed that only \$14 in revenue has been collected in the current fiscal year from the largest Emergency Planning grant

(\$190,000 per year). Expenses should be submitted for reimbursement 30 days after each quarter-end. The lack of use of the available grant funds was caused by no expenses being submitted for reimbursement for the previous three quarters.

Risk Level: High—Without proper monitoring and reporting, there is a risk that departmental goals will not be met. This could impact the response time and results in the event of an emergency. If grant funds are not monitored and expense reimbursement requests are not submitted timely, the County may lose grant awards.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>a) The budget should be used as a tool in conjunction with the Strategic Plan to determine and continuously monitor whether the goals and plans for the three-year period are financially feasible.</p> <p>b) The budget to actual expenses should be monitored in detail throughout the year to ensure that the department remains on track with their goals. The budgeting process may also allow the department to address certain resource inadequacies if a schedule of needed purchases based on the budget is prepared.</p> <p>c) We found that a more detailed expense review document was in development. We recommend that this expense review document also include a comparison to the</p>	<p>Yes and No</p>	<p>a) Yes the Office of Emergency Management (OEM) prepares an annual budget that ties to our Strategic Planning. On an annual basis, goals and objectives identified in the plan are evaluated based upon financial resources established formulated with the budget. Cost center line items are evaluated, and either increased or decreased, based upon established criteria within the Strategic Plan, and additional upcoming emergency management program requirements. This recommendation has already been implemented.</p> <p>b) Yes the monitoring of budget to actual expenditures has been implemented.</p> <p>c) Yes the OEM continues to monitor all expenditures and has prepared expenditure documents that is more comprehensive in nature</p>	<p>Complete</p>	<p>Louis Andersen, Director Public Works</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>budget.</p> <p>d) Since a request for reimbursement for FY 2014 had not occurred for three quarters, a process should be implemented to ensure that grant reimbursements are submitted timely.</p>		<p>than are required by emergency management best practices. On a monthly basis all expenditures are monitored and a detailed listing in comparison to the budget is prepared and evaluated. The report highlights amounts spent, details regarding the purchase, percentage of funds remaining, and amount remaining. This practice ensures line item funding is not exceeded, and the budget is not in arrears.</p> <p>d) No OEM currently only has two active grant awards: The FEMA Emergency Management Performance Grant (EMPG) which has a 50/50 matching requirement The State of Arizona Emergency Management (AZDEM) is responsible to distribute and manage these funds. The State has not sent any of the 15 Counties their grant awards for FY13 or FY14. This grant for Pinal County represents \$190,000 annually or \$380,000 still owed to date.</p> <p>The other grant (Hazardous Materials Emergency Preparedness-HMEP) \$21,000 that is</p>		

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
		<p>considered a reimbursable grant and requires submission of quarterly reports for recovery of funds. To date, all quarterly reports have been submitted and funds associated with the HMEP grant have been received, with one payment pending.</p> <p>Action Plan: Relocate the EM Accountant II from Emergency Management and into PW Finance.</p> <p>Emergency Management Accountant II direct report is being changed from Emergency Management Director to Public Works Finance Director I to streamline all Public Works financial activities and responsibilities</p> <p>Pinal County new financial system (Enterprise One) will help monitor budget to actual on a monthly basis.</p> <p>Emergency Management Accountant II moved under Public Works Finance Director I to streamline financial processes. Emergency Management Accountant II to specifically monitor Emergency Management grants to ensure all grant requirements and deadlines are met. Accountant III in Public Works Finance</p>		

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
		has been assigned/tasked with grant coordination responsibilities for all of Public Works		

2. Lack of Formal Internal Policies and Procedures

P&Ps are critical to a department and allow for a transparent and accountable process. Documented P&Ps help ensure key processes and regulations are consistently applied and completed when turnover occurs. They can be used as a training tool for new employees and a guide for existing employees or others to understand a process and key compliance requirements. Throughout our audit, we found minimal documented Emergency Department P&Ps.

Risk Level: High—The lack of documented P&Ps decreases accountability and creates the risk that processes and controls will not be completed properly and consistently. In the event of turnover, processes may not be completed.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
a) Although there were many procedures related to disaster action documented for how an emergency is to be carried out, none of the existing procedures would aide a new employee or outsider in understanding the overall process including what should be included in plans, how often they should be updated, who should approve the changes, etc. Formal internal P&Ps should be drafted, reviewed, and approved for all critical functions. This would	No	a) The OEM has several internal policies and procedures in-place, to include the following: <ul style="list-style-type: none"> - Duty Officer Procedures - Special Events Planning Procedures - Grant Management Procedures - Continuity of Operations Plans and Procedures - Situation Report Policies - Emergency Operations Center Activation Procedures - Emergency 	August 2014	Louis Andersen, Director Public Works Jacque Armstrong, PW Finance Director

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>assist in understanding how often emergency plans should be updated and other key requirements and best practices of the department.</p>		<ul style="list-style-type: none"> Deactivation Procedures - Communicator system procedures - Emergency Declaration Procedure - Roadrunner Operating Procedures - Special Event Contingency SOP - Grant Procedure SOP - Situation report procedure - Training Procedures (both internal and external) - Exercise Development Procedures <p>The Emergency Operations Plan (EOP) also delineates additional emergency management policies and procedures, based upon emergency support functions, emergency incident annexes, and emergency support annexes, that are required. Critical functions within the OEM have been evaluated and any "required" procedures, based upon regulatory requirements have been performed as specified in the Emergency Operations Plan.</p> <p>Action Plan: The Public Works Department does agree that financial</p>		

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
		controls and operational procedures need to be documented and tested within the newly organized PW Finance Division, to include and not limited to SOP for grant reconciliation, budget review, grant reporting, Financial reports will be produced, on a monthly basis by Emergency Management Accountant II. Emergency Management Accountant II, Budget Analyst, Public Works Finance Director I and Public Works Finance Director will review on a monthly basis.		

3. Emergency Authorization

The Board of Supervisors is ultimately responsible for County oversight and ensuring that emergency situations are handled appropriately. At the time of the audit, emergency situations were concluded and issued by the county Emergency Planning Director, without evidence of authorization by the Board of Supervisors.

In 2004, a letter was drafted to the Board of Supervisors which described their role and responsibilities in the event of an emergency situation. It allowed the Emergency Planning Director to respond efficiently to emergencies without waiting for approval for each emergency. Only one of the five current Board Members was an active member at that time. The letter had not been updated nor shared with Board Members since 2004.

Risk Level: Moderate—If the Board of Supervisors is not aware of their responsibilities related to emergency situations and is not involved in the handling of emergency situations, unfavorable, inappropriate or unapproved activities may occur without their knowledge.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>a) The Emergency Planning department should develop a written document for the Board of Supervisors, which describes the roles and responsibilities of the Board in the event of an emergency. The document should contain a section that grants the Emergency Department the authorization to address emergencies by activation of the Emergency Operations Centers. This document should be updated and approved by the Board regularly.</p>	<p>Yes</p>	<p>a) The OEM has accomplished this task. The roles and responsibilities for BOS members have been highlighted in the approved Emergency Response and Recovery Plan. The Plan was brought before the BOS and approved in 2004. Public Works Department will update the Emergency Response plan and present to the new BOS. Public Works will also complete this presentation to the BOS as the BOS members change.</p> <p>The current Emergency and Recovery Plan:</p> <p>“The Pinal County Board of Supervisors maintains the ultimate responsibility for the protection, safety and welfare of the citizens of Pinal County. The Board of Supervisors:</p> <ul style="list-style-type: none"> - Provide leadership and play a key role in communicating to the public, and in helping people, businesses, and organizations cope with the consequences of any type of disaster or emergency within Pinal County. - Shall have the power 	<p>December 2014</p>	<p>Louis Andersen, Director Public Works</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
		<p>to suspend local laws and ordinances, establish curfews, direct evacuations, and order quarantine.</p> <ul style="list-style-type: none"> - May negotiate and enter into mutual aid agreements with other jurisdictions to facilitate resource sharing. - May request state assistance when local resource capabilities have been exhausted.” <p>b) The approved Emergency Response and Recovery Plan highlights the provisions and requirements for activation of the Pinal County EOC. As proclaimed in the Pinal County Emergency Response and Recovery Plan, “The Director of the PCOEM <u>shall</u> have the responsibility for ensuring that emergency response functions are effectively performed during a major emergency within Pinal County.”</p> <p>Action Plan: Add notification to all BOS as a first step in the EOC activation process.</p>		

4. Resource Compilation and Reporting

Arizona State Statute “26-308. Powers of local government; local emergency management establishment; organization” states that each county’s emergency management organization shall do the following:

1. Maintain a list of public and private organizations within the county which have personnel trained and available for assisting in meeting emergency needs.
2. Maintain an inventory of facilities, equipment, supplies and other resources within the county available for use in meeting emergency needs.
3. Provide a summary of the information required in paragraphs 1 and 2 to the State Director of Emergency Management.

Based on our testing and discussions with the department, a Federal Emergency management Agency (FEMA) website known as “NIMSCAST” is used by all jurisdictions (fire departments, police departments, counties, municipalities, etc.) to report and track available resources. In the case of an emergency, Pinal County would utilize this site to pull a listing of available resources. The FEMA website has been unavailable and will remain unavailable until further notice. There was no other method for maintaining inventory, facilities, equipment, and other resources available to Pinal County in the event of an emergency. Proper resources may not be available in the event of an emergency if lists are not consistently updated or maintained.

Risk Level: Moderate—Without this listing available and updated, in the event of an emergency, Pinal County response time could be negatively impacted.

Audit Recommendation	Concur (Yes or No)	Management’s Response and Action Plan	Target Date	Individual(s) Responsible
<p>a) Since it is unknown when the FEMA site will be available and the site does not appear to be reliable, the compiled resource lists, particularly for the jurisdictional compilation, should be updated into a single document and maintained internally.</p> <p>b) On an annual basis, Emergency Planning personnel should update the “Resource Typing List” already prepared, inquire with</p>	No	<p>a) As required by FEMA and the state of Arizona, the OEM is required to detail the number and type of resources according the FEMA 120 Resource Characterization Guide. The OEM has completed this required task annually.</p> <p>b) ARS 26-345 requires each local emergency planning committee-which falls under the prevue of the OEM-to evaluate the need for resources necessary to develop, implement and exercise the emergency</p>		

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
other jurisdictions for changes.		<p>plan in its district. The OEM has completed this task by the development of a Resource Directory that is in compliance with standards identified by the Arizona State Emergency Response Commission. A review and update of the resource directory is completed on an annual basis.</p> <p>OEM is currently reviewing and evaluating the advantages of the single vs. multiple "internal" databases to determine the most effective method of resource information retrieval in the EOC.</p> <p>OEM collects this information from departments and jurisdictions annually. Last update was just prior to October 23, 2013.</p>		

5. *Grant Expense Reimbursement*

One grant received was based on a two year period and required 50% County matching funds. The grant expense process focuses on spending 100% of the Federal portion (50% of all expenses) in the first year and spending 100% of the County match in the second year of the grant award. There is potential for the federal match to exceed 50% if less expense are taken during the second year of the grant period.

Risk Level: Moderate—Noncompliance with grant agreements could have a negative impact on the relationship between the County and granting agencies and could result in the loss of future grants.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
a) A new calculation process should be implemented to calculate the federal grant reimbursement and the County matching amount each quarter during the quarterly reimbursement process. This will ensure that grant requirements are met and proper matching occurs.	Yes	a) The OEM produces Quarterly Reports for the Emergency Management Performance Grant (EMPG) which provides information on the federal share and county share funding amounts when reports are submitted to the state of Arizona. This task will be transferred to the PW Finance Division, the Director will work with the EM Accountant and Budget Analyst to provide monthly reports that will calculate expenses and projected reimbursements. The State has also requested additional protocols for quarterly reporting requirements (post FEMA audit).	July 1, 2014	Jacque Armstrong, PW Finance Director Louis Andersen, Director Public Works

6. Grant Application Process

There does not appear to be a formal process in place to track and apply for potential grant opportunities. Based on discussions with department personnel, there have been several instances where timelines for grant applications and renewals were not met.

Risk Level: Moderate—A significant amount of lost grant revenue could occur as a result of the lack of a formal and timely process.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
a) Although grant availability information is provided to the department there is no	No	a) Currently the Pinal County Grants Manager, County Manager and Public Works Director		

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>process to follow up and ensure these opportunities are taken advantage of. A process should be implemented to monitor available grant opportunities and apply as they become available. Consider adding these duties to the departmental accountant.</p>		<p>provide information to various departments when grants are available. In addition, specific to emergency management grants, announcements are made from the state of Arizona and FEMA when grants are available for application.</p>		

ADDITIONAL CONSIDERATION

Lack of Formal Process for Audits Conducted by Outside Organizations

A formal process and policy should be adopted to ensure that the Internal Audit department is notified and involved, if necessary, in all outside audits of departments. This will ensure that the process is applied consistently and County management is aware of all audits and related audit findings. Since Internal Audit is knowledgeable about the audit process, they can assist the department and be an additional resource to them during the audit. Additionally, all reports done by outside agencies should be provided to Internal Audit for consideration in the annual risk assessment/audit plan update.

* * * * *

This report is intended for the information and use of Pinal County management, the audit committee, members of the Board of Supervisors of Pinal County and others within the organization.

REDW LLC

Albuquerque, New Mexico
July 8, 2014