



## **OFFICE OF INTERNAL AUDIT**

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### **REPORT TO THE BOARD OF SUPERVISORS**

### **ENVIRONMENTAL HEALTH DIVISION AUDIT**

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Attachment: Management Response and Action Plan

## **Executive Summary**

The Pinal County Office of Internal Audit has completed an audit of Pinal County Development Services Environmental Health division. The audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require 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 objective. The objective of our audit was to:

**Assess internal controls regarding operations in the Environmental Health division of the Development Services department and ensure controls are designed to provide reasonable assurance the process is operating effectively and efficiently.**

## **Overall Conclusion**

Our overall conclusion is the Development Services department Environmental Health division is not operating as effectively and efficiently as needed to promote optimal Environmental Health activities.

During the course of the audit we identified the following potential opportunities for increased efficiency and effectiveness within the Environmental Health division:

- 1) The Environmental Health Director should develop a system of internal controls to ensure complete, accurate and timely billing of division fees. Responsible employees should be adequately trained on appropriate computer applications.*
- 2) The Environmental Health Director should establish an effective late payment collection process that includes assessing late payment penalties on a monthly compounded rate basis; for example, cumulatively adding 10% of amount owed per month until paid in full.*
- 3) The Environmental Health Director should conduct a rate study and, if necessary, ask the County Board of Supervisors to increase rates to cover the cost of services; per A.R.S. 11-251.08. Consideration should also be given to updating facility categories and adding additional specialty charges; such as, operating without a permit.*
- 4) The Environmental Health Director should develop comprehensive written policies and procedures for all essential internal processes including:*
  - Alternative inspection schedules and procedures to accommodate temporary staff shortages. Procedures could include scheduling inspections based on prior violations (number and/or type) instead of districts.*
  - Regular review and, if necessary, updating of the Pinal County Sanitary Code. The Code should also be posted online to allow easy access to the public.*
- 5) As part of a Quality Assurance program, the Environmental Health Director should require management to conduct onsite inspection training for new inspectors and perform random onsite inspection evaluations for all staff.*

- 6) *The Environmental Health Director should develop a financial plan for the expenditure of Smoke Free grant funds. Funds should be used to pay for program expenses, including salaries for program inspectors.*
- 7) *The Environmental Health Director should ensure reporting data is complete, accurate and regularly updated. Internal Audit confirmed Information Technology staff can alter computer scripts, when staff changes occur, to ensure continuity of inspection assignments.*
- 8) *The Environmental Health Director should review public presentation and enforcement action processes to determine if reported county data, revealing much lower than average numbers for Pinal County, are due to data input errors or a weakness in current procedures.*
- 9) *The Pinal County Manager; along with Directors from Development Services, Environmental Health and Public Health, should evaluate the Development Services reorganization and ascertain the optimal current placement for the Pinal County Environmental Health division.*

We would like to thank the management and staff of the Development Services department, and the Environmental Health division, for their assistance and cooperation during the course of this audit. The following report provides additional details of our audit observations and recommendations.

Lori Stripling  
Internal Audit Officer

## **Audit Scope and Methodology**

The scope of our audit was to determine if Environmental Health Management has established adequate internal controls to ensure efficiency and effectiveness of operations, proper allocation of resources, and the achievement of departmental goals. To further refine the audit scope Internal Audit completed a risk analysis of selected Environmental Health information.

During our risk analysis we verified the responsibility to administer and enforce health and sanitation requirements established by state law has been allocated to the Pinal County Environmental Health division by the Arizona Department of Health Services (ADHS) and the Department of Environmental Quality (ADEQ) through delegation agreements.

After reviewing delegated duties we determined reported non-food related inspections were more frequent than comparable entities and staffing for delegated ADEQ-related duties (wastewater, drinking water, solid waste, etc.) was more than adequate. Due to these conclusions, we limited this audit to a review of general operations (billing, systems, etc.) and ADHS delegated powers and duties.

The following methodologies were used to complete the audit:

- Identify major risks and related mitigating controls for Development Service Environmental Health division.
- Review department and division strategic business plans
- Interview department and division employees.
- Interview Information Technology staff concerning related system performance (Acella).
- Conduct a compliance review of identified applicable state statutes and county ordinances.
- Analyze adequacy and appropriateness of financial and human resources throughout the process
- Compare selected operations for best practices and most efficient use of resources
- Review current Delegation Agreements between the Arizona Department of Health Services (ADHS), the Arizona Department of Environmental Quality (ADEQ) and the Pinal County Environmental Health division

## **Background**

According to the World Health Organization;<sup>1</sup> **environmental health** addresses all the physical, chemical and biological factors external to a person and is targeted towards preventing disease and creating health-supportive environments.

Additional national guidance for delivering environmental health services is offered by:

- The United States Center for Disease Control-Environmental Services; which states their objective is to strengthen the role of local, state, tribal, and national environmental health programs and professionals (<http://www.cdc.gov/>)
- The United States Environmental Protection Agency; whose mission is to protect human life and the environment (<http://www.epa.gov/>)
- The United States Department of Health and Human Services; which is the principal agency for protecting the health of all Americans (<http://www.hhs.gov/>)

At the state level many of these duties are performed by the Arizona Department of Environmental Quality (ADEQ) and the Arizona Department of Health Services (ADHS).

ADEQ has been authorized by law<sup>2</sup> to delegate responsibility for local wastewater, drinking water, solid waste and hazardous waste management to local environmental agencies. In Pinal County, delegation of specific functions and duties are assigned in a formal delegation agreement<sup>3</sup> between ADEQ and the Pinal County Development Services department.

Additionally, the Arizona Department of Health Services (ADHS) has established statewide food safety programs, promulgated state food safety regulations, and provides state oversight for sanitation programs. ADHS also assigns local responsibility for many of these functions to county governments through formal delegation agreements. In Pinal County, these tasks have been delegated to the Environmental Health division of the Pinal County Development Services department. In 2007 this delegation agreement was amended to authorize additional Smoke-Free Arizona program duties.

The Environmental Health division website declares, “Environmental Health...provides education, consultation and plan review, permitting and inspection services to the general public; as well as, the regulated community. Some examples of facilities the Division regulates include public and semipublic swimming pools, public accommodations such as hotels and motels, on-site septic tank systems, food establishments; such as restaurants, bars, grocery stores, school cafeterias, day care kitchens and mobile/temporary food vendors.

The Division also investigates citizen's complaints and nuisance situations to ensure a safe and healthy environment for all county residents.”

As of October 1, 2011, the Environmental Health division was authorized for fifteen (15) fulltime employees. This is down from 21.5 employees in fiscal year 2010/11.

The division budget for fiscal year 2012 is \$1,122,310 from general funds and \$132,356 from Smoke-free Arizona grant funds.

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<sup>1</sup> [http://www.who.int/topics/environmental\\_health/en/](http://www.who.int/topics/environmental_health/en/)

<sup>2</sup> A.R.S. 49-107

<sup>3</sup> #06-0028

## Audit Findings and Recommendations

### A. Permit Fees and Collections

Recommended food safety rules are published by the U. S. Food and Drug Administration (FDA) in the *Food Code*. Local, state, tribal, and federal regulators use the *FDA Food Code* as a model to develop or update their own food safety rules and to be consistent with national food regulatory policy.

The Arizona Administrative Code (A.A.C) Title 9, Chapter 8, Article 1, entitled *FOOD AND DRINK*, incorporates most of the 1999 U.S. Food and Drug Administration Model Food Code by reference. The rules contain licensing and compliance provisions; and require anyone wishing to operate a food establishment in the State of Arizona, to **obtain a permit** from the local health department.

In Pinal County, food and drink permit application are submitted to the Environmental Health division, acting as the local health department.<sup>4</sup> No permit to operate is approved by Environmental Health until a complete sanitary inspection has been conducted and any identified deficiencies are corrected.

The Pinal County Sanitary Code; adopted by the Pinal County Board of Supervisors in 1987, states, (a) “No person shall conduct an operation without...a valid permit,” (f) “Permits are valid for one year” and (h) “...**no permit is valid until bona fide permit fee is received by the Department.**”

Internal Audit reviewed the permit billing and collection process in Environmental Health and concluded the division has not developed sufficient internal controls to ensure an accurate and timely process. Specifically we found:

- There are no written policies and procedures regarding permit fee billing and collection.
- Outstanding permit fees over 90 days late total \$121,005.<sup>6</sup> This amount is equal to 31% of all fees collected in the previous fiscal year (\$388,015 in FY2010/11).
- Late fees are assessed on permit payments that are 30 and 60 days overdue; however, there are no additional penalties assessed after 60 days.
- The higher number of 90+ days overdue indicates Environmental Health has not developed an effective collections process.
- A significant<sup>7</sup> number of late payments reviewed were marked “never billed.” (24 of 127 records tested) Environmental Health staff stated missed billing was due to inaccurate data transfer and data automatically generated by billing software.
- Permit requirements for public schools were not uniformly assessed.

| Environmental Health<br>Collections Aging Report <sup>5</sup> |                      |
|---|----------------------|
| Days after invoice sent                                       | Amount               |
| 30 – 90   | \$26,222.00          |
| Over 90   | \$ 121,005.00        |
| <b>Total of all late payments</b>                             | <b>\$ 147,227.00</b> |

<sup>4</sup> A.R.S. § 36-136

<sup>5</sup> As of 11/17/2011 per Pinal County IT department information

<sup>6</sup> Over 30 days

<sup>7</sup> 24 of 127 records tested or 18.9%

Administering an effective permit issuing and collections process requires developing adequate internal controls to ensure:

- ✓ Permit fees are billed and collected in an accurate and timely manner
- ✓ System (computer) output is complete and accurate
- ✓ Penalties are uniformly assessed

Internal Audit analyzed fee data for six counties in Arizona, to compare how other counties managed permits and found:

- Some counties charged higher fees for delinquent payments and returned checks;
- Some counties assessed additional fees for operating without a valid permit;
- Service fees in counties contiguous to Pinal County were higher than rates currently charged in Pinal County; for example, Maricopa County charges \$150 an hour for an Environmental Health Specialist Inspector’s time and Pinal County charges \$55.

We also determined a majority of the counties tested updated their fee schedules more recently than Pinal County.

A.R.S. 11-251.08 allows a county Board of Supervisors to adopt a fee to cover the cost of permitting, inspections, and any additional costs incurred to provide these services. It is likely costs for services have increased since 2003; the year Pinal County last adjusted fees.

| County   | Last year fees were adjusted |
|----------|------------------------------|
| Pinal    | 2003                         |
| Apache   | 2008                         |
| Maricopa | 2010                         |
| Pima     | 2010                         |
| Yuma     | 2011                         |
| Coconino | 2011                         |

**Recommendations**

- 1) The Environmental Health Director should develop a system of internal controls to ensure complete, accurate and timely billing of division fees. Responsible employees should be adequately trained on appropriate computer applications.***
- 2) The Environmental Health Director should establish an effective late payment collection process that includes assessing late payment penalties on a monthly compounded rate basis; for example, cumulatively adding 10% of amount owed per month until paid in full.***
- 3) The Environmental Health Director should conduct a rate study and, if necessary, ask the County Board of Supervisors to increase rates to cover the cost of services; per A.R.S. 11-251.08. Consideration should also be given to updating facility categories and adding additional specialty charges; such as, operating without a permit.***

## **B. Inspections - Delegation Agreement**

The Arizona Department of Health Services (ADHS) administers a statewide public health sanitation program for food safety, bottled water, public accommodations, children’s camps, public schools and pools. ADHS delegates duties for several of the public health sanitation programs to each of the fifteen (15) Arizona county health departments through formal delegation agreements. Pinal County has also accepted delegation of Smoke Free Arizona inspection duties,<sup>8</sup> and receives grant funds to cover the cost of these services. A.R.S. § 41-1081 establishes requirements for delegation agreements that require the agreement to clearly set forth areas of responsibility, personnel qualifications, and reporting requirements.

The delegation agreement (Agreement) between ADHS and Pinal County assigns duties through the Environmental Health division operating as the local health department. The following table (Table I) shows delegated areas of responsibility; controlling rules and laws; standards of performance and personnel qualifications required by the Agreement.

| <b>TABLE I – DELEGATION AGREEMENT ACTIVITIES</b>            |   |  |
|---|---|--|
| <b>Areas of Responsibility</b>                              | <b>Controlling Rules and Statutes</b>                         | <b>Personnel Qualifications</b>                              |
| Bathing Places (pools)                                      | A.R.S. 36-132 A and 36-136 D<br>A.C.C. Title 9 Chap 8 Art 8   | ACC Title 9 Chapter 16 Article 4<br>(Registered Sanitarians) |
| Bottled Water Manufacturers                                 | A.R.S. 36-136 A 6 36-136 D 36-132 A.C.C. Title 9 Chap 8 Art 2 |  |
| Campgrounds and Children’s Camp                             | A.R.S. 36-136 A 6 36-136 D 36-132 A.C.C. Title 9 Chap 8 Art 2 |  |
| Food Establishments (excludes State Prisons, DES, & Health) | A.R.S.36-136 A6 36-136 D<br>A.A.C. Title 9 Chap 8 Art 1       |  |
| Hotel and Motel Sanitation                                  | A.R.S. 36-136 A6 36-136 D<br>A.A.C. Title 9 Chap 8 Art 13     |  |
| Public Nuisance Complaints                                  | A.R.S. 36-136 36-601  |  |
| Public toilets and special events                           | A.R.S.36-136 A6 36-136 D<br>A.A.C. Title 9 Chap 8 Art 3       |  |
| Public schools  | A.R.S.36-136 A6 36-136 D<br>A.A.C. Title 9 Chap 8 Art 7       |  |
| Trailer Coach Park  | A.R.S.36-136 A6 36-136 D<br>A.A.C. Title 9 Chap 8 Art 5       |  |
| Smoke-Free Arizona  | A.R.S.36-601.01<br>A.A.C. Title 9 Chap 2 Art 1                |  |

Internal Audit reviewed compliance with personnel qualifications and verified the Pinal County Environmental Health division has nine Registered Sanitarians on staff and reported six Registered Sanitarians are assigned to ADHS delegated duties.<sup>9</sup>

Internal Audit reviewed inspection data and confirmed there are three registered sanitarians performing ADHS inspections, and Environmental Health management is currently cross-training sanitarians assigned to ADEQ duties to perform ADHS inspections.

<sup>8</sup> This does not include enforcement duties

<sup>9</sup> [http://www.azdhs.gov/phs/oeh/pdf/FY2010\\_activity\\_summary.pdf](http://www.azdhs.gov/phs/oeh/pdf/FY2010_activity_summary.pdf)

In addition to reviewing qualifications of inspection staff, Internal Audit analyzed inspection procedures and found:

- Environmental Health has developed a Risk-based Inspection Frequency policy (02:01:01) based on facility types; for example, bars with no food service, limited menu, and full-service menu.
- Maricopa County has a risk-based inspection policy based, in part, on prior major violations. Maricopa County also bases enforcement proceedings on repeat major violations.
- Environmental Health management has divided county permitted establishments into six food inspection districts; however, they admitted there are currently only three experienced inspectors assigned to districts.
- There are no onsite inspection evaluations performed by management staff, and there is no Quality Assurance program established to ensure uniform and appropriate inspections; as permitted by A.C.C. 9-8-108 (E).
- Environmental Health has not developed a formal budget for the expenditure of Smoke Free program funds. The program had a fund balance of \$257,970 on December 5, 2011; which is equal to approximately two years of program deposits.

Internal Audit also reviewed the Pinal County Sanitary Code (Code) to determine if the Code had been updated to include current delegated agreement requirements.

The Code was adopted by the Pinal County Board of Health and the Pinal County Board of Supervisors on October 5, 1987, and has been amended by the Board of Supervisors, through Board resolutions, on several occasions since adoption. (See Table II)

We confirmed Environmental Health has not developed a policy, or procedures, requiring regular Code review and/or updating; for example, the Code was not updated in 2007 when new Smoke Free Arizona program duties were delegated to the Pinal County Environmental Health division.

| <b>TABLE II- REVISIONS TO THE 1987 PINAL COUNTY SANITARY CODE</b> |                                    |
|---|------------------------------------|
| <b>New provision or chapter</b>                                   | <b>Date added to Sanitary Code</b> |
| Add and amend schools and facilities housing children chapter (7) | April 22, 1998                     |
| Increase fees for on-site septic system                           | July 29, 1999                      |
| Increase fees for permit schedule                                 | January 9, 2002                    |
| Add onsite wastewater chapter (10)                                | July 19, 2006                      |

While reviewing online and system data, Internal Audit noted the Pinal County Environmental Health Sanitary Code has not been posted online for easy access to the public.

### Recommendations

- 4) *The Environmental Health Director should develop comprehensive written policies and procedures for all essential internal processes including:*
  - *Alternative inspection schedules and procedures to accommodate temporary staff shortages. Procedures could include scheduling inspections based on prior violations (number and/or type) instead of districts.*
  - *Regular review and, if necessary, updating of the Pinal County Sanitary Code. The Code should also be posted online to allow easy access to the public.*
- 5) *As part of a Quality Assurance program, the Environmental Health Director should require management to conduct onsite inspection training with new inspectors and perform random onsite inspection evaluations for all staff.*
- 6) *The Environmental Health Director should develop a financial plan for the expenditure of Smoke Free grant funds. Funds should be used to pay for program expenses, including salaries for program inspectors.*

### C. Inspections - Information Technology System

As required by the Arizona Department of Health Services (ADHS) Delegation Agreement with Pinal County, inspection information for Environmental Health is required to be reported to ADHS on an annual basis.

Internal Audit analyzed inspection data entered into the Environmental Health computer (IT) system (Acella) for fiscal year 2010 and found:

- Future inspection schedules included terminated employees
- Inspection schedules included management employees who were not performing inspections

The Environmental Health Director explained the discrepancies were due to division staff having difficulty learning a new system. The system was implemented in 2008.

Internal Audit also reviewed data reported for Pinal County in the ADHS annual report of activities for all counties; *Food Safety and Environmental Services Activity Summary*. Although inaccurate or unreliable data makes comparisons difficult, Internal Audit identified the following variances:

- Pinal and Yavapai County have a much higher inspection ratio\* for pools. A.C.C. R9-8-812 requires inspections at least once a month if a swimming pool is open for water contact recreation.<sup>10</sup>
- Pinal County had the lowest number of public presentations\*\* of all counties.

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<sup>10</sup> Uses of water for recreational activities involving body contact with water where ingestion of water is reasonably possible.

- Pinal, Coconino, Yavapai, and Yuma counties reported no enforcement action in any category. The Environmental Health Director stated there is no attorney assigned to the division.

| Activity by type                                   | Coconino | Maricopa | Mohave | Pima  | Pinal | Yavapai | Yuma  |
|--|----------|----------|--------|-------|-------|---------|-------|
| <b>Food</b>  |          |          |        |       |       |         |       |
| Current # of food establishments                   | 1,659    | 20,877   | 1,378  | 4,519 | 956   | 1,209   | 1,002 |
| # of routine inspections                           | 1,699    | 42,995   | 2,307  | 6,161 | 1,411 | 1,503   | 1,503 |
| # of routine inspections/# of food establishments  | 1.02     | 2.06     | 1.67   | 1.36  | 1.48  | 1.24    | 1.50  |
| # of temporary establishment inspections           | 261      | 2,988    | 386    | 1,395 | 646   | 193     | 100   |
| # of food illness complaints                       | 38       | 762      | 32     | 528   | 24    | 0       | 10    |
| # of compliance proceedings                        | 2        | 1,538    | 39     | 0     | 0     | 0       | 0     |
| <b>Non-food related</b>                            |          |          |        |       |       |         |       |
| <b>Public and semi public bathing place</b>        | 234      | 8,903    | 271    | 2,521 | 283   | 205     | 234   |
| Routine inspections                                | 317      | 10,075   | 343    | 3,838 | 1,269 | 845     | 376   |
| # of routine inspections/ # bathing places (pools) | 1.35     | 1.13     | 1.27   | 1.52  | 4.48* | 4.12    | 1.61  |
| Complaint inspections                              | 5        | 475      | 5      | 139   | 24    | 6       | 4     |
| Enforcement actions                                | 0        | 1,511    | 3      | 552   | 0     | 0       | 0     |
| <b>Public schools ground</b>                       | 44       | 986      | 55     | 244   | 104   | 82      | 59    |
| Routine inspections                                | 30       | 892      | 57     | 266   | 41    | 75      | 118   |
| Complaint inspections                              | 2        | 7        | 3      | 8     | 2     | 2       | 0     |
| Enforcement actions                                | 0        | 52       | 0      | 17    | 0     | 0       | 0     |
| <b>Public accommodations</b>                       | 177      | 465      | 92     | 179   | 35    | 116     | 47    |
| Routine inspections                                | 157      | 410      | 87     | 30    | 38    | 113     | 87    |
| Complaint inspections                              | 26       | 48       | 15     | 20    | 2     | 9       | 1     |
| Enforcement actions                                | 0        | 118      | 2      | 0     | 0     | 0       | 0     |
| <b>Education</b>                                   |          |          |        |       |       |         |       |
| # of presentations                                 | 67       | 318      | 174    | 32    | 2**   | 358     | 4     |
| # of audience members                              | 3,644    | 16,069   | 4,108  | 1,571 | 17    | 4,948   | 300   |

**Recommendations**

- 7) *The Environmental Health Director should ensure reporting data is complete, accurate and regularly updated. Internal Audit confirmed Information Technology staff can alter computer scripts, when staff changes occur, to ensure continuity of inspection assignments.*
- 8) *The Environmental Health Director should review public presentation and enforcement actions processes to determine if reported county data; revealing much lower than average numbers for Pinal County, are due to data input errors or a weakness in current procedures.*

**D- Comparison of organizational structure**

In fiscal year 2003/2004 Pinal County combined Public Works, Planning and Development, Building Safety, Air Quality, Flood Plain Management, and Environmental Health into the newly established Development Services department. Prior to this organizational change, Environmental Health was a division of Public Health.

Internal Audit compared the organizational structure of the Pinal County Environmental Health division with similar operations in other Arizona counties. The table to the right (Table III) shows the specific organizational structure for each Arizona county environmental service program.

With the exception of Pinal County; which is in Development Services, and Maricopa County; which is within a Regional Services Department that includes Public Health, all programs are organized within the County Health Department.

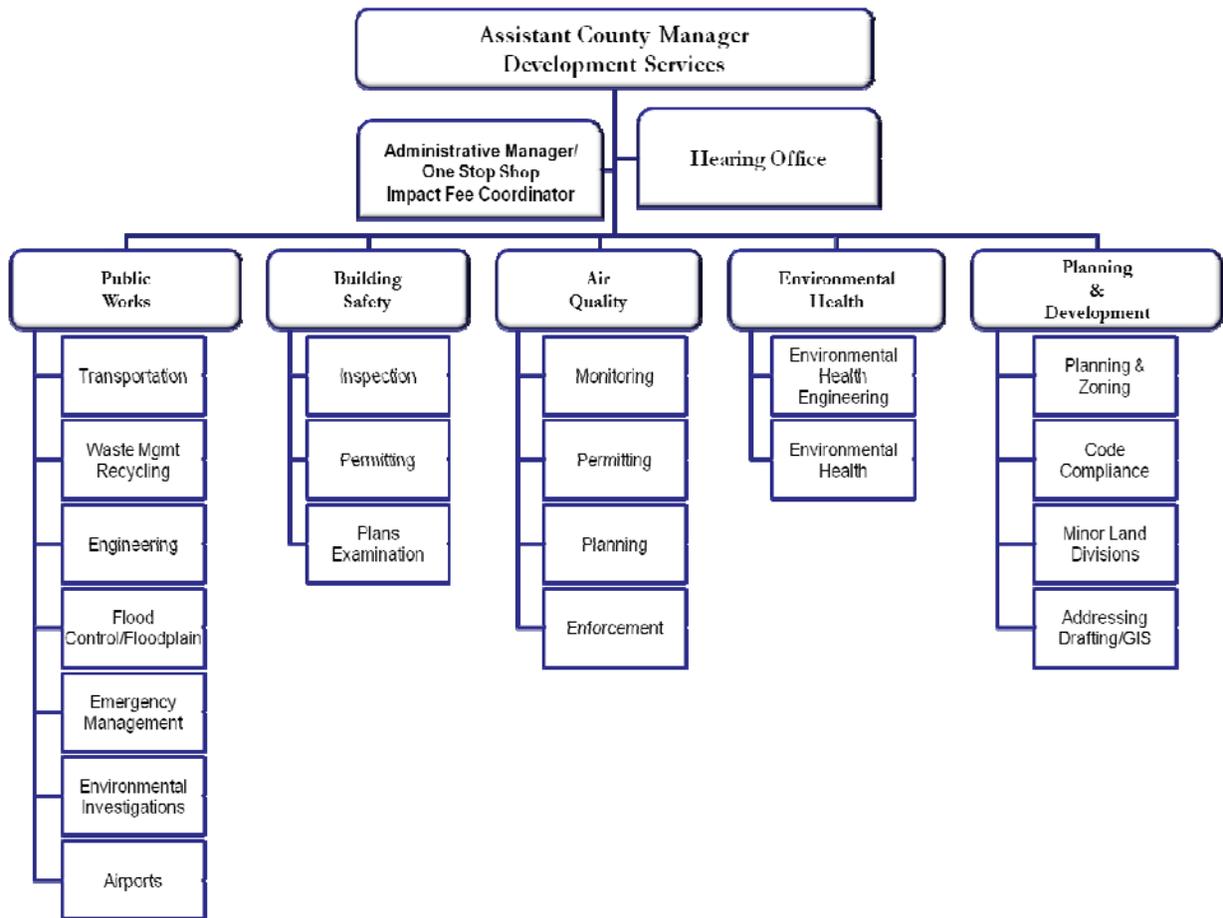
Also, Internal Audit researched the organizational structure for Environmental Health programs in selected counties across the country and found varying organizational structures, including structures similar to Pinal County. These organizations were in high-growth areas just outside of major metropolitan areas; such as, Cherokee County (Atlanta, Georgia); and Chaffee County (Denver, Colorado). It is likely this organizational structure is the most efficient for plan review during periods of rapid construction.

| County     | Table III - Organizational Structure for Environmental Health |
|------------|---|
| Apache     | Public Health Department                                      |
| Cochise    | Health and Social Services Department                         |
| Coconino   | Public Health Services District                               |
| Gila       | Public Health Department                                      |
| Graham     | Health Department   |
| Greenlee   | Health Department   |
| La Paz     | Health Department   |
| Maricopa   | Regional Development Services                                 |
| Mohave     | Public Health Department                                      |
| Navajo     | Public Health Services Department                             |
| Pima       | Health Department   |
| Pinal      | Development Services Department                               |
| Santa Cruz | Health and Human Services Department                          |
| Yavapai    | Community Health Services                                     |
| Yuma       | County Public Health Services District                        |

While Pinal County Environmental Health employees still conduct construction plan reviews, the majority of division employees currently perform public health-related duties (vector control and surveillance; health permitting and monitoring, etc).

As discussed in the background section of this report, Environmental Health recently (FY2010/11) adjusted staff from twenty-one (21) full time employees to fifteen (15). This reduction of resources is workable due to the current decreased pace of construction in Pinal County.

The decrease in demand for these services may also provide an opportunity to evaluate the need to place Environmental Health in Development Services; and reconsider if services could be provided more efficiently and effectively from within the Pinal County Public Health district organizational structure.



**Recommendation**

***9) The Pinal County Manager; along with Directors from Development Services, Environmental Health, and Public Health, should evaluate the Development Services reorganization and ascertain the optimal current placement for the Pinal County Environmental Health division.***

| Audit Recommendation   | Concur (Yes or No) | Management's Response and Action Plan   | Target Date          | Individual(s) Responsible            |
|--|--------------------|---|----------------------|--------------------------------------|
| <p><i>1) The Environmental Health Director should develop a system of internal controls to ensure complete, accurate and timely billing of division fees. Responsible employees should be adequately trained on appropriate computer applications.</i></p> | <p>Yes</p>         | <p>Software system complexities and undocumented system architecture combined with issues of system functionality, sustainability, and supportability have presented significant challenges to Environmental Health Services staff with respect to the use of the current environmental health management software system, especially for financial management activities involving billing and tracking of accounts receivable. The financial management aspect of the system software is not complete, nor fully automated, and requires a series of manual tasks to ensure complete, accurate, and timely invoicing of permitted facilities. Staff agree that the use of a financial management system that better lends itself to one-time, point-of-sale transactions for more complex and reoccurring transactions does indeed necessitate a high level of internal control, not only for the complete, accurate, and timely billing of fees, but also for the ongoing tracking of accounts receivable, and the accurate updating of individual facility records once fees are received.</p> <p>Plan: Staff will develop written operating procedures that outline the step-by-step sequence of events and tasks that must be performed to ensure each permitted facility is properly and timely invoiced for original fee and any late fees due; that fees, including late fees, are</p> | <p>June 30, 2012</p> | <p>Environmental Health Director</p> |

| Audit Recommendation  | Concur (Yes or No) | Management's Response and Action Plan  | Target Date | Individual(s) Responsible |
|---|--------------------|--|-------------|---------------------------|
|   |                    | <p>continuously tracked; and that facility records are accurately updated once fees are received. Additional internal controls will establish written protocols for the utilization Accela reports along with internally generated custom reports to verify complete, accurate, and timely billing; tracking; and record update. Responsible employees will be trained on the system using the newly developed protocols and procedures.</p>   |             |                           |
| <p><i>2) The Environmental Health Director should establish an effective late payment collection process that includes assessing late payment penalties on a monthly compounded rate basis; for example, cumulatively adding 10% of amount owed per month until paid in full.</i></p> | <p>No</p>          | <p>Staff does not concur for the following reasons:</p> <ul style="list-style-type: none"> <li>• The recommendation is redundant in that the assessment of late fees is already included in the Board of Supervisors approved Environmental Health Fee Schedule, including penalties for 30 days late and 60 days late. The expectation is that facility operators will pay the fee plus any penalties in order to hold a valid permit to conduct operations.</li> <li>• A collections process should reside other than in Environmental Health Services where the primary focus is on providing environmental public health services. Operating without a valid permit as a result of failing to pay required fees should trigger compliance and enforcement process within Environmental Health Services Any collections process should be secondary to compliance and enforcement activities.</li> <li>• A fully functional billing software program</li> </ul> |             |                           |

| Audit Recommendation | Concur (Yes or No) | Management's Response and Action Plan   | Target Date | Individual(s) Responsible |
|----------------------|--------------------|---|-------------|---------------------------|
|                      |                    | <p>would not only automatically assess late fees and generate an invoice, but would continue to automatically generate fees and a new, updated invoice on a monthly basis until all fees were received. The current software automatically invoices late fees 30 days past due and again at 60 days past due, but stops there. In the case of late fees, invoices are generated manually upon notification by the system to a designated system user at 30 days past due and 60 days past due. Should the BOS approve this kind of late fee scheme suggested in this recommendation, a more sophisticated billing system would need to be developed. According to IT, the current software would have to be reconfigured or reprogrammed by an outside consultant to achieve the level of functionality suggested in the recommendation. The feasibility, costs, and timing of reconfiguring the current billing system are unknown at this time, but can be explored with IT.</p> <ul style="list-style-type: none"> <li>• From a regulatory rather than financial perspective, the focus on late fees misses the point, which is, a valid permit is required in order to conduct business operations. In many cases, it is likely the effort and cost to collect outstanding fees will exceed the amount collected. This is especially true in cases where a facility operator locks the door and walks away from the business owing fees,</li> </ul> |             |                           |

| Audit Recommendation | Concur (Yes or No) | Management's Response and Action Plan  | Target Date | Individual(s) Responsible |
|----------------------|--------------------|--|-------------|---------------------------|
|                      |                    | <p>which is a common occurrence. Rather than focus on the collection of late fees, perhaps it would be more appropriate to examine the resources necessary to develop an effective process that ultimately enjoins those who fail to remit fees in a timely manner from conducting business. Employing the principle of general deterrence may be a more effective strategy long term as facility operators may be more inclined to pay fees on time in order to avoid having their businesses closed by the regulatory authority or the courts. Following an enforcement path also provides the opportunity for the collection of civil or criminal penalties should revenue generation from this source be a stated objective.</p> |             |                           |

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|---|--------------------|---|--|--|
| <p><i>3) The Environmental Health Director should conduct a rate study and, if necessary, increase rates to cover the cost of services; per A.R.S. 11-251.08.</i></p> <p><i>Consideration should also be given to updating facility categories and additional specialty charges; such as, operating without a permit.</i></p> | Yes                | <p>A comprehensive fee study has been proposed for all Development Services departments. Environmental Health Services will be included in that study when it occurs. Staff will also conduct an internal fee analysis as well. A draft fee schedule that contains updated facility categories and specialty charges presently exists and will be updated as part of the Environmental Health Services internal rate study. With respect to increasing rates to cover the cost of services, staff agrees that this should be an important consideration. However, any decision to move forward with increasing fees and rates ultimately rests with Administration.</p> | <p>June 30, 2012<br/>(Environmental Health Services internal rate study)</p> | <p>Environmental Health Director</p> <p>Assistant County Manager/<br/>Development Services</p> <p>County Manager</p> |

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|---|--------------------|---|--|-------------------------------|
| <p>4) <i>The Environmental Health Director should develop comprehensive written policies and procedures for all essential internal processes including:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Alternative inspection schedules and procedures to accommodate temporary staff shortages. Procedures could include scheduling inspections based on prior violations (number and/or type) instead of districts.</i></li> <li>▪ <i>Regular review and, if necessary, updating of the Pinal County Sanitary Code. The Code should also be posted online to allow easy access to the public.</i></li> </ul> | Yes                | <p>Comprehensive written policies and procedures for essential internal processes are lacking and need to be developed. With respect to alternative inspection schedules and procedures, these schedules and procedures are currently being developed. The schedules are based on the department's facility risk classification across all inspection districts, including districts that are currently vacant.</p> <p>The Pinal County Sanitary Code has been reviewed and it is determined that the Code is in need of major updates. The current Code while outdated can be placed on line once it is placed in the proper format.</p> | <p>Policies and Procedures for all essential processes<br/>June 2013</p> <p>Alternative Inspection Schedules/ Procedures<br/>March 1, 2012</p> <p>Complete Pinal County Sanitary Code Update<br/>January 2014</p> <p>Place Sanitary Code Online<br/>March 31, 2012</p> | Environmental Health Director |
| <p>5) <i>As part of a Quality Assurance program, the Environmental Health Director should require management to conduct onsite inspection training for new inspectors and perform random onsite inspection evaluations for all staff.</i></p>   | Yes                | <p>Management is presently conducting onsite training with new trainees as part of the recent cross-training effort. The Environmental Health Director will define a plan that includes management oversight of field activities, including scheduled and random ride-alongs for all staff as part of a Quality Assurance program.</p>  | February 29, 2012  | Environmental Health Director |

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|---|--------------------|---|---------------|--|
| <p><i>6) The Environmental Health Director should develop a financial plan for the expenditure of Smoke Free grant funds. Funds should be used to pay for program expenses, including salaries for program inspectors.</i></p>          | Yes                | <p>There has been a formal Smoke Free budget in place for the past two fiscal years. A financial plan will be developed that includes increased expenditures for additional personnel (inspectors and/or business support) as part of the upcoming FY 2012-13 budgeting process.</p>  | July 1, 2012  | Environmental Health Director                                      |
| <p><i>7) The Environmental Health Director should ensure reporting data is complete, accurate and regularly updated. Internal Audit confirmed Information Technology staff can alter computer scripts when staff changes occur.</i></p> | Yes                | <p>Staff is in agreement that reporting data, to the greatest extent possible, should be complete, accurate and regularly updated. Staff is committed to this principle and continues to make every effort to ensure that this is the case. To this end, staff will continue to work with IT while updating inspection lists and assignments to understand the full range of implications of removing staff from the database when staff changes occur.</p> | June 30, 2012 | <p>Environmental Health Director</p> <p>Information Technology</p> |

| Audit Recommendation   | Concur (Yes or No) | Management's Response and Action Plan  | Target Date  | Individual(s) Responsible                                   |
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| <p>8) <i>The Environmental Health Director should review public presentation and enforcement actions processes to determine if reported county data, revealing much lower than average numbers for Pinal County, are due to data input errors or a weakness in current procedures.</i></p> | <p>Yes</p>         | <p>In the case of public presentations, the number in the FY 2010-11 annual report was a data input error. It should have been 5 presentations with total attendance of 182. Since not all public presentation data can be stored in the database, a public presentation tracking system will be created to ensure accurate numbers of public presentations and attendance are reported to ADHS in the future.</p> <p>In the case of enforcement actions, the low numbers reflect the absence of a robust compliance and enforcement program. We will begin to develop compliance and enforcement policies and procedures and identify other necessary program elements to establish an effective program that will reflect higher numbers of enforcement actions in the future.</p> | <p>April 30, 2012 – public presentation tracking</p> <p>January 2014</p> | <p>Environmental Health Director</p> <p>County Attorney</p> |

| Audit Recommendation  | Concur (Yes or No) | Management's Response and Action Plan   | Target Date                  | Individual(s) Responsible   |
|---|--------------------|---|------------------------------|---|
| <p><i>9) The Pinal County Manager; along with Directors from Development Services, Environmental Health and Public Health, should evaluate the current optimal organizational placement for the Pinal County Environmental Health division.</i></p> | <p>Yes</p>         | <p>A change in the organizational placement of Environmental Health Services is the prerogative of the County Manager. Staff is available to assist in evaluation and analysis, provide input, and make recommendations should such assistance be sought on the part of the County Manager.</p> | <p>TBD by County Manager</p> | <p>County Manager<br/>Assistant County Manager/<br/>Development Services<br/>Assistant County Manager/<br/>Health and Human Services<br/>Environmental Health Director<br/>Public Health Director</p> |