



OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

ENVIRONMENTAL HEALTH DIVISION AUDIT FOLLOW UP REVIEW

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FEBRUARY 2013

In January 2012, the Pinal County Office of Internal Audit released the Environmental Health Division audit and concluded, "...the Development Services department Environmental Health division is not operating as effectively and efficiently as needed to promote optimal Environmental Health activities."

Internal Audit has completed a follow-up review of the Environmental Health department and determined the department has made progress in implementing prior report recommendations.

Of the nine recommendations suggested, Environmental Health has completed six and partially completed three; with notable achievement in the following areas:

- ✓ Responsibility for Environmental Health has been moved from Development Services to Administrative Services, with additional oversight provided by the Public Health department.
- ✓ Public Health staff have extensively cleaned up Environmental Health Acela system data and assumed all responsibilities for Environmental Health billing.
- ✓ Public Health staff have assumed collection duties from Environmental Health and have effectively maintained accurate tracking data for outstanding collectables.
- ✓ Public Health staff run regular monthly aging reports and implemented an effective collections process. As a result, outstanding collections have decreased significantly.
 - ❖ **On April 17, 2012 outstanding collections totaled \$ 144,823**
 - ❖ **On January 9, 2013 outstanding collections totaled \$ 6,790**
- ✓ Environmental Health staff, with the assistance of Public Health staff, has compiled a proposed revised rate/fee schedule that, if adopted, would cover the actual cost of identified services.
- ✓ Environmental Health is conducting onsite training.
- ✓ Environmental Health is expending Smoke Free funds to help pay for program expenditures.
- ✓ Public Health, working with Environmental Health, is cleaning up all Acela data.

During our follow-up we identified several areas for continuing improvement:

- There has been no progress toward updating the Sanitary Code.
- Adopting a review schedule for documents requiring timely information; such as, fee schedules and the sanitary code, would help ensure these documents are regularly updated.
- There is no comprehensive written training policy and/or plan and training is not uniformly documented.
- Public Health support will need to be continued to ensure these processes are maintained.

The following matrix provides details of management's reported progress. We would like to thank the Environmental Health department, and the Public Health department, for their cooperation and assistance during this follow up review.

**Pinal County Internal Audit
Environmental Health Audit Follow-Up
February 2013**

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<p><i>1) The Environmental Health Director should develop a system of internal controls to ensure complete, accurate and timely billing of division fees.</i></p> <p><i>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 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 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>June 30, 2012</p>	<p>Environmental Health Director</p>	<p>COMPLETE</p> <p>Internal Audit confirmed Public Health (PH) has significantly cleaned up system data and assumed all responsibilities for Environmental Health (EH) billing.</p> <p>Public Health support will need to be continued to ensure these processes are maintained.</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<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"> 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. 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. A fully functional billing software program 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, (cont.) 			<p>COMPLETE</p> <p>Internal Audit confirmed Public Health has assumed collection duties for Environmental Health and outstanding collections have decreased significantly.</p> <p>On 4/17/2012 outstanding collections totaled \$144,823</p> <p>On 1/9/2013 outstanding collections totaled \$6,790</p> <p>Public Health runs regular monthly aging reports and follows up on all outstanding collectables.</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
		<p>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"> • 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, 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>Public Health has stated they have identified a less expensive contractor for needed software support.</p> <p>Public Health support will need to be continued to ensure these processes are maintained.</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<p>3) <i>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>	June 30, 2012 (Environmental Health Services internal rate study)	<p>Environmental Health Director</p> <p>Assistant County Manager/ Development Services</p> <p>County Manager</p>	<p>COMPLETE</p> <p>Internal Audit confirmed Environmental Health staff, with the assistance of Public Health staff, have compiled a proposed revised rate/fee schedule that, if adopted, would cover the actual cost of identified services.</p> <p>The revised rate schedule has not yet been proposed to the Board of Supervisors for their consideration.</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<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"> ▪ <i>Alternative inspection schedules and procedures to accommodate temporary staff shortages.</i> ▪ <i>Procedures could include scheduling inspections based on prior violations (number and/or type) instead of districts.</i> ▪ <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> 	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 June 2013</p> <p>Alternative Inspection Schedules/ Procedures March 1, 2012</p> <p>Complete Pinal County Sanitary Code Update January 2014</p> <p>Place Sanitary Code Online March 31, 2012</p>	Environmental Health Director	<p>PARTIALLY COMPLETE</p> <p>Internal Audit verified the Environmental Health Director, with extensive help from Public Health staff, maintains a scheduling spreadsheet.</p> <p>There has been no progress toward updating the Sanitary Code. Target date is January 2014</p>

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<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	<p>PARTIALLY COMPLETE</p> <p>Internal Audit verified, through employee surveys, Environmental Health is conducting onsite training; however, there is no comprehensive training policy and/or plan and training is not uniformly documented.</p>
<p>6) <i>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>COMPLETE</p> <p>Environmental Health is expending Smoke Free funds to cover program expenditures</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<p>7) <i>The Environmental Health Director should ensure reporting data is complete, accurate and regularly updated.</i></p> <p><i>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>	<p>PARTIALLY COMPLETE</p> <p>Public Health (PH), working with Environmental Health (EH), is cleaning up all Acela data.</p> <p>Public Health support will need to be continued to ensure these processes are maintained</p>
<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>	Yes	<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</p> <p>public presentation tracking</p> <p>January 2014</p>	<p>Environmental Health Director</p> <p>County Attorney</p>	<p>COMPLETE</p> <p>Internal Audit verified Environmental Health has developed appropriate public education opportunities.</p>

<i>Audit Recommendation</i>	Concur Yes/ No	Management's Response and Action Plan	Target Date	Individual(s) Responsible	Internal Audit Assessment
<p>9) <i>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 Assistant County Manager/ Development Services Assistant County Manager/ Health and Human Services Environmental Health Director Public Health Director</p>	<p>COMPLETE Internal Audit verified organizational placement for Environmental Health has been changed to Administrative Services. This change has provided needed support and an opportunity to share knowledge and resources.</p>