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Air Quality Department

Internal Audit

May 2014

REDW^{LLC}

CPAs | Business & Financial Advisors

Pinal County Air Quality Department Internal Audit

Executive Summary

REDW performed internal audit services described below solely to assist Pinal County in evaluating compliance with various Air Quality Department policies and procedures (P&Ps). 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.

SUMMARY OF PROCEDURES

We selected eight of each available permit type, including dust, open burn, industrial, and asbestos for review. We verified that the permits were properly completed, reviewed by the appropriate personnel, and the correct amount of permit fees were charged. We selected 32 data points to determine if the data was properly reviewed and submitted to the Environmental Protection Agency (EPA) on a timely basis for the both the quarterly and annual reporting requirements. We also selected seven instruments to determine if they received the required routine maintenance.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Based on our testing, P&Ps appeared to be consistently followed and errors/issues identified throughout the audit were minimal. Specifically, the permitting, data validation, and instrument validation processes appeared to be operating effectively. The permits reviewed were properly completed, reviewed by appropriate personnel, and the correct amounts of fees were charged to the applicants. The data points were properly reviewed and submitted to the EPA on a timely basis. The instruments were serviced based on the correct frequency by instrument and data from ineffective instruments was properly excluded from reporting.

We did not find any weaknesses in the control environment that we consider to be high or moderate risks. One low risk observation is included in the attached report.

REDW LLC

Albuquerque, New Mexico
July 8, 2014

Pinal County
Air Quality Department Internal Audit

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Pinal County Air Quality Department Internal Audit Report

INTRODUCTION

We performed the internal audit services described below solely to assist Pinal County in evaluating compliance with various Air Quality 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 Air Quality Department's permitting, data validation, and instrument validation functions to determine if they were in compliance with P&Ps and reflected best practices and sound internal controls. We evaluated the permitting process for all types of permits available including dust, open burn, asbestos, and industrial. We evaluated the data validation review process of the collected data readings for the quarterly and annual submissions to the Environmental Protection Agency (EPA). Additionally, we reviewed the instrument verification logs and verified that the instruments were being serviced at the correct frequency and that the data from ineffective instruments was properly excluded from reporting.

DEPARTMENTAL OVERVIEW

The Mission of the Air Quality Department is to provide assessment, permitting, education, planning and enforcement services to residents, businesses and leaders of Pinal County so they can breathe and enjoy clean air. The department has 17 full time employees and \$1,701,042 in

FY 2013-2014 budgeted expenditures. The Pinal County Air Quality Department is generally responsible for protecting the public's interest in assuring that the air remains safe to breathe. What ensures the safety of the air to breathe are the air quality standards which originate from federal, state and local laws and regulations.

SCOPE AND PROCEDURES PERFORMED

Policies, Procedures, and Interviews: In order to gain an understanding of processes and controls in place within the Air Quality Department, we read written P&Ps, researched applicable laws and regulations, and interviewed or received information from the following personnel:

- Michael Sundblom, Air Quality Director
- Nelda Nunez, Air Quality Administrative Manager
- Josh Dezeeuw, Air Quality Environmental Program Supervisor

Sample Selection and Testing: In order to test the permitting, data validation, and data instrument processes and controls, we sampled data from April 2013 through April 2014. We selected several different samples in order to increase the chance of identifying problems in areas identified as higher risk. Our combined samples resulted in testing 71 items.

1. *Dust Permits:* We haphazardly selected eight dust permits that were authorized during the audit period. For each permit selected, we tested to determine if:
 - The permit application was filled out properly and appropriately;
 - Evidence of processing on behalf of the Pinal County Air Quality Department was on file;
 - The permit fees were properly calculated and agreed to the receipt of payment;
 - There was evidence of a review performed by the environmental inspector or director; and,
 - Evidence existed to show that proper approvals were obtained.
2. *Asbestos Permits:* We haphazardly selected eight asbestos permits that were authorized during the audit period. For each permit selected, we tested to determine if:
 - The permit application was filled out properly and appropriately;
 - Evidence of processing on behalf of the Pinal County Air Quality Department was on file;
 - The permit fees were properly calculated and agreed to the receipt of payment; and,
 - Evidence existed to show that proper approvals were obtained.
3. *Open Burn Permits:* We haphazardly selected eight open burn permits that were authorized during the audit period. For each permit selected, we tested to determine if:
 - The permit application was filled out properly and appropriately;

- Evidence of processing on behalf of the Pinal County Air Quality Department was on file;
 - The permit fees were properly calculated and agreed to the receipt of payment;
 - The length of the permit did not exceed the May 1st 2013/2014 cutoff for legal open burning; and,
 - Permits issued in October 2013/2014 were dated after confirmation from the Fire Department to reinstate opening burning activities.
4. *Industrial Permits:* We haphazardly selected eight industrial permits that were authorized during the audit period. For each permit selected, we tested to determine if:
- The permit application was filled out properly and appropriately;
 - Evidence of processing on behalf of the Pinal County Air Quality Department was on file;
 - The permit fees were properly calculated and agreed to the receipt of payment;
 - Evidence was on file showing the required 30 day notice for public comment;
 - Evidence existed showing the review and approval by EPA, if it was a Title V permit;
 - Changes were properly made to the permit if amendments were received from the EPA; and,
 - Evidence existed to show that proper approvals were obtained.
5. *Data Validation:* We haphazardly selected 32 data validation points that occurred during the audit period including eleven ozone readings (continuous), eight particulate matter readings (2.5 PM, filtered), ten particulate matter readings (10 PM, continuous), and three filtered reading results (filtered).
- For each continuous data point selected, we tested to determine if:
 - The single data point was reviewed by appropriate personnel and comments were entered into the system (Level I review); and,
 - Trending review, including system comments, included reference to overall long-term review (Level II review).
 - For each filtered data point selected, we tested to determine if:
 - The appropriate chain of custody form was completed; and,
 - The data collected was entered into the system accurately and timely.
 - We selected two quarterly submissions to the EPA to determine if:
 - The quarterly data was reviewed and approved by the appropriate personnel; and,
 - The quarterly data was submitted to the EPA timely.
 - We selected one annual submission to the EPA to determine if:
 - The annual data was certified and approved by the appropriate personnel.
6. *Instrument Verification:* We haphazardly selected seven instrument verification dates during the audit period. For each date selected, we tested to determine if:

- The frequency between the prior scheduled maintenance was appropriate according to the policy (if scheduled maintenance);
- Conclusion of the test results were included on the form;
- Evidence of approval by the appropriate personnel was present; and,
- If the instrument performed outside of limitations, the associated data collected during the period of ineffective performance was reviewed and excluded as necessary.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

We identified the following weakness in the Air Quality Department’s internal controls and P&Ps:

1. *Purchased Software Not Utilized*

The Air Quality Department was not utilizing the Accella financial software to record and track permits and fees. Instead, the department was using a Microsoft Access database to record a significant portion of its information.

Risk Level—Low: Although the system purchased by Public Works was not being utilized by the Air Quality Department, a reconciliation was being performed, which reduced the risk of errors.

Audit Recommendation	Concur (Yes or No)	Management’s Response and Action Plan	Target Date	Individual(s) Responsible
<p>a) Consider discussing the capabilities of the system and whether the Accella software should be utilized by Air Quality.</p> <p>b) Additionally, the County should inquire whether other departments who might benefit are utilizing this software.</p>	Yes	<p>a) Air Quality currently utilizes the Accela system to tract and log payments for all transactions including industrial, dust, burn, and asbestos NESHAP but does not issue those permit through the system. With regard to open burning permits and dust permits via Accela, the internal limitation found when Accela was initially acquired by the County was that development cost was beyond what the Air Quality Department could absorb. Air Quality will reassess the possible use of the Accela system to issue open burning and dust permits.</p>	December 31, 2014	<p>Mike Sundblom Nelda Nunez Field Services Manager (vacant)</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
		<p>The purchase of the system, to issue industrial permits would require significant system development and at a high cost. Additionally, industrial permits are not a "single issuance" permit in that they span a 5 year period with annual renewals. As we understand the system this format does not fit well in the current Accela design. Air Quality is aware of other jurisdiction in Arizona pursuing this path. The result has been a high dollar cost and no success to date. We commit to observing their continued progress.</p> <p>b) This recommendation appears to extend beyond the control and influence of Air Quality.</p>		

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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.

We received excellent cooperation and assistance from the department personnel during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
July 8, 2014