



Transmitted via e-mail

August 25, 2015

Mr. Ken Pimlott, Director  
California Department of Forestry and Fire Protection  
1416 Ninth Street  
Sacramento, CA 95814

Dear Mr. Pimlott:

**Final Report—Wildland Fire Investigation Training and Equipment Fund, Corrective Action Plan Implementation**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the California Department of Forestry and Fire Protection's (CAL FIRE) Corrective Action Plan in response to Finance's audit report on the Wildland Fire Investigation Training and Equipment Fund, dated August 28, 2013.

The enclosed report is for your information and use. Because there were no audit observations requiring a response, we are issuing the report as final. This report will be placed on our website.

We appreciate the assistance and cooperation of CAL FIRE. If you have any questions regarding this report, please contact Diana Antony, Manager, or Mindy Patterson, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Richard R. Sierra, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Janet Barentson, Chief Deputy Director, California Department of Forestry and Fire Protection  
Ms. Stephanie Shimazu, Chief Legal Counsel, California Department of Forestry and Fire Protection  
Ms. Windy Bouldin, Chief, Office of Program Accountability, California Department of Forestry and Fire Protection

California Department of Forestry and Fire Protection  
Wildland Fire Investigation Training and Equipment Fund  
Corrective Action Plan

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

**MEMBERS OF THE TEAM**

Diana Antony, CPA  
Manager

Mindy Patterson, MBA  
Supervisor

Staff  
Wrenna Finche, CPA

Final reports are available on our website at <http://www.dof.ca.gov>

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# BACKGROUND, SCOPE AND METHODOLOGY

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## **BACKGROUND**

The California Department of Forestry and Fire Protection (CAL FIRE) serves, safeguards, and protects the people, property and resources of California. CAL FIRE provides all hazard emergency response (fire, medical, rescue and disaster) to the public and provides leadership in the protection of life, property, and natural resources.

Per California Health and Safety Code section 13009, CAL FIRE is authorized to recover fire suppression costs incurred in fighting a fire and for the cost of providing rescue or emergency medical services. Under the Civil Cost Recovery Program (CCR), CAL FIRE is authorized to engage in civil actions to recover these costs.

Prior to 2005, all civil cost recovery monies were deposited into the General Fund. In May 2005, CAL FIRE, along with the California District Attorneys Association (CDAA), established the Wildland Fire Investigation Training and Equipment Fund (Fund) with a portion of the civil cost recovery monies collected. The purpose of the Fund was to promote and improve the training and equipping of CAL FIRE's staff engaged in civil cost recovery activities.

During the Fund's existence, over \$3.6 million was collected and deposited into the Fund. CAL FIRE approved and CDAA paid over \$2.4 million from the Fund for training and equipment to enhance the civil cost recovery program. In July 2012, CAL FIRE froze the fund after questions arose about the Fund's propriety and governance. On February 10, 2013, CDAA terminated its administration of the Fund, and in April 2013 the Fund's remaining balance of \$813,600 was deposited into an approved special deposit fund account within the Centralized State Treasury System, effectively ending the operation of the Fund.

In 2013, the Department of Finance, Office of State Audits and Evaluations (Finance), audited the Fund and issued a report<sup>1</sup> which required CAL FIRE to submit a corrective action plan (CAP) addressing the report's findings and recommendations, including milestones and target dates to correct all deficiencies. CAL FIRE submitted its final CAP on February 12, 2015.

## **SCOPE**

The objective of the audit was to verify whether corrective actions were implemented as reported in the final CAP dated February 12, 2015 and adequately addressed the August 28, 2013 audit report observations.<sup>2</sup> Assessing the completeness and accuracy of the equipment inventory and the effectiveness and efficiency of the CCR program case tracking database was not within the scope of this audit. Therefore, we do not conclude on the completeness and accuracy of case records or equipment inventory.

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<sup>1</sup> See Finance's website at [www.dof.ca.gov](http://www.dof.ca.gov) to view a copy of the report, dated August 28, 2013.

<sup>2</sup> See Appendix A for a list of the audit recommendations.

CAL FIRE management is responsible for the content of the CAP and ensuring corrective actions addressed the audit observations and were implemented as reported. Finance's responsibility is to verify the implementation and adequacy of the CAP based on our audit.

## **METHODOLOGY**

To determine whether corrective actions were implemented as reported and adequately addressed the audit observations, we performed the following:

- Interviewed key personnel to gain an understanding of the implementation process for corrective actions.
- Reviewed CAL FIRE documentation in support of the development of policies and procedures.
- Gained an understanding of the development and observed the use of the database used to track CCR activity.
- Gained an understanding and observed the CCR remittance process.
- Inspected source documentation related to remittances.
- Reviewed photo evidence that equipment was properly tagged.
- Compared CAL FIRE equipment inventory records to inventory per the 2013 audit.
- Determined whether capitalizable inventory was properly recorded in the accounting records.

In conducting our audit, we obtained an understanding of CAL FIRE's internal controls, including any information systems controls that we considered significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during our audit and determined to be significant within the context of our audit objectives are included in this report.

Except as discussed in the following paragraph, we conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Finance and CAL FIRE are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government performance auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented sufficient safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

The Department of Finance, Office of State Audits and Evaluations' (Finance) August 28, 2013 audit report on the Wildland Fire Investigation Training and Equipment Fund included three observations, with two requiring corrective actions. Since issuance of our report, the California Department of Forestry and Fire Protection (CAL FIRE) has submitted periodic corrective action plans (CAP) in a timely manner. The final CAP was provided to Finance on February 12, 2015.

CAL FIRE developed 18 corrective actions to address the reported observations and recommendations. As noted below, our audit of the CAP indicates all corrective actions have been implemented as reported. See Appendix A for CAP implementation detail.

**Audit Observation: CAL FIRE's Decentralized Process for the Civil Cost Recovery Program Increases the Risk of Lost or Stolen Funds**

**Corrective Action Status: Implemented**

CAL FIRE identified 15 corrective actions to address this observation. CAL FIRE thoroughly reviewed its policies and procedures for the Civil Cost Recovery (CCR) Program and implemented an ongoing process of review for organizational efficiency. An interim process was developed and implemented, including staff training, while a case management database was developed, tested, and implemented. This case management database, which is actively monitored by executive management, tracks pertinent information in a single, central location. CAL FIRE executive management also centralized the remittance process requiring all payments for the CCR program be remitted to CAL FIRE's Sacramento headquarters, ensuring better oversight of the cash collection process.

**Audit Observation: Established State Processes Were not Followed and Neither California District Attorneys Association nor CAL FIRE Claim Ownership of the \$1.7 Million in Equipment Purchased with the Fund**

**Corrective Action Status: Implemented**

CAL FIRE identified three corrective actions to address this observation. CAL FIRE conducted a statewide inventory of equipment purchased with the Fund, including properly identifying, tagging, and recording the equipment in CAL FIRE's property tracking system. Additionally, as of May 2015, CAL FIRE is actively working with the California Department of Finance, Fiscal Systems and Consulting Unit to capitalize equipment as required by the State Administrative Manual.

**California Department of Forestry and Fire Protection (CAL FIRE)  
Wildland Fire Investigation Training and Equipment Fund  
Corrective Action Plan Status and Evaluation**

Audit Observation	Audit Recommendation	February 12, 2015 Corrective Action Response	Corrective Action Implemented
<p>1. CAL FIRE's Decentralized Process for the Civil Cost Recovery (CCR) Program Increases the Risk of Lost or Stolen Funds</p>	<p>Program Management should fully implement the policies and procedures established in their Handbook and should develop and implement a process to capture pertinent information relating to all active cases. This would allow CAL FIRE management to monitor and track civil cost recovery activities and ensure their policies and procedures are implemented consistently at both region offices and 21 fire units.</p>	<p>1. A complete review of current policies in place which direct and guide the CCR Program. <i>(Continued review is ongoing for organizational efficiency).</i></p> <p>2. CAL FIRE policy requires notification and document transfer between Units, Regions, and Sacramento Headquarters. A common e-mail inbox has been established to facilitate these notification provisions.</p> <p>3. A Microsoft Outlook calendar is utilized to track important deadlines and provide reminders to appropriate individuals.</p> <p>4. Memorandum to Regions and Units announcing intentions to implement recommendations, in addition to providing temporary interim directives for centralized remittance and case tracking report.</p> <p>5. CCR Program training session via conference call and webinar to discuss existing policy and procedures and to ensure that all in attendance are familiar with their contents and expectations.</p> <p>6. An information technology project was chartered and strategic objectives developed to obtain a data system accessible by all 21 Units and both Regions.</p> <p>7. Northern and Southern Region staff developed and maintained a complete listing of active CCR Program cases, based on the existing Region's tracking sheets and incorporated information from the respective Units. These listings are provided to the CCR Program in Sacramento Headquarters on a monthly basis if changes in case number or status occur.</p> <p><i>(Monthly updating is ongoing as case status changes.)</i></p> <p>8. Temporary directives were put in place which adjusts policy to make clear the expectations of management and the required reporting functions necessary to monitor the CCR Program. This includes</p>	<p align="center">Yes</p>

Audit Observation	Audit Recommendation	February 12, 2015 Corrective Action Response	Corrective Action Implemented
		<p>reporting mechanisms and modifications to delegated settlement authorities. (See No. 13)</p> <p>9. A beta version of the CCR Program Case Tracking Database has been completed and tested. Programing modifications have been made based on the initial round of testing and Region program managers have received a demonstration on the beta version. A production database has been established which was used in real time by one case manager, having the greatest number of cases.</p> <p>10. Reviewed results of case manager comments pertaining to the utilization of the production version of the database.</p> <p>11. A CCR Program training workshop was conducted January 26-29, 2015. During the workshop, existing policy and procedures were discussed along with the content and expectations.</p> <p>12. The CCR Program database was finalized and rolled out to the units and regions.</p> <p>13. Developed a draft single point of remittance policy for receipt of CCR Program payments located at Sacramento headquarters. The process was tested at select administrative units prior to policy change and implementation.</p> <p>14. Reviewed results of centralized remittance tests and made necessary adjustments.</p> <p>15. Final policy was issued which provides centralized remittance of recovered funds to CAL FIRE's Departmental Accounting Office (DAO). CCR Program remittances are mailed direct from the payer to the DAO, as directed by the applicable Letter of Demand, Settlement Agreement, or Court Judgment.</p>	
<p>2. Established State Processes Were not Followed and Neither California District Attorneys Association nor CAL FIRE Claim Ownership of the \$1.7 Million in Equipment Purchased with the Fund</p>	<p>CAL FIRE management should undertake a thorough inventory of all equipment purchased with the Wildland Fire Investigation Training and Equipment Fund (Fund). Use the results of the inventory to record the equipment in CAL FIRE's official accounting records in accordance with the property accounting requirements contained in the State Administrative Manual (SAM).</p>	<p>1. Memorandum distributed to regions and units announcing intention to inventory all equipment purchases with the Fund, in accordance with the property accounting requirement contained in SAM.</p> <p>2. CAL FIRE's Business Services Office reviewed list of equipment purchased to ascertain SAM reporting requirements.</p> <p>3. Equipment was inventoried with State property number tags recorded and affixed in accordance with SAM based on audit recommendations. This recordation was done to comply with the recommendation and is not an admission the property is owned by CAL FIRE. A second property tag was also affixed to the equipment indicating it was purchased by the Fund.</p>	<p>Yes</p>