

EXECUTIVE SUMMARY

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES DIVISION OF FORESTRY

Purpose

The purpose of this audit was to determine if the Division of Forestry established sufficient controls to ensure expenditures were appropriate and in accordance with applicable laws, regulations, and procedures. This audit included charges to the Fire Suppression Account and Division payroll expenditures for the 18 months ended December 31, 2001.

Results in Brief

The Division of Forestry has implemented controls over expenditures paid from the Fire Suppression Account since our last audit. However, these controls did not ensure reimbursable expenditures were properly billed. Consequently, the Division did not recover about \$300,000 in reimbursable expenditures from federal agencies. Furthermore, procedures did not ensure expenditures were supported by adequate documentation. Without adequate documentation, the Division is at risk of paying for services or goods it did not receive. Additionally, some purchasing procedures created unnecessary paperwork.

The Division's current payroll process does not provide sufficient controls to ensure payments are proper. Although timesheets were subjected to an extensive review process, they contained numerous reporting errors. As a result, county payroll expenditures were charged to the state, employees received over and under payments, and overtime payments were not always supported by required documentation. These problems can be attributed to a complicated, cumbersome, and inefficient reporting process, as well as, inadequate training and supervisory review. While the Division has taken some corrective action to

improve the payroll process, additional improvements are needed.

Principal Findings

- The Division provides reimbursable support services to federal and other state firefighting agencies. Since these reimbursable expenditures account for the majority of Fire Suppression Account activity, procedures should ensure these expenditures are properly billed. However, we found expenditures totaling nearly \$320,000 that had not been billed and about \$20,000 over billed. (page 9)
- During the 18 months ended December 31, 2001, the Division paid federal agencies \$2.4 million for fire suppression support services. However, these expenditures did not always have adequate documentation to support the amounts paid. Of the 10 invoices we examined, 9 totaling approximately \$617,000 did not have sufficient documentation to determine if all charges were appropriate. (page 11)
- Division procedures require a purchase order for any expenditure resulting from an emergency incident. However, half of the expenditures we tested did not have purchase orders. Purchase orders were not completed since the authorization of most emergency expenditures is also documented in dispatch logs. Therefore, preparing purchase orders for all emergency expenditures is inefficient since it can result in unnecessary paperwork. (page 13)
- Some firefighters' overtime and holiday premium pay resulting from non-emergency activity was inappropriately charged to the State. Although the amount of overtime paid is not readily available, approximately \$37,000 in holiday premium pay was charged to the Fire Suppression Account. Firefighter's payroll costs resulting from normal station coverage should be charged to the county funded Intergovernmental Agreement Account. (page 14)

- Of the 100 timesheets we tested, 61 contained from 1 to 5 errors. Errors included double counting of hours, pay premiums recorded incorrectly, and overtime worked but not paid. As a result, some employees received over and under payments. We also found overtime was approved after it was worked, insufficient documentation to support overtime, and errors regarding overtime codes. It is essential payroll costs are controlled through proper approval and accurate recording. (page 15)
- Work schedules and the Division's payroll reporting procedures contributed to paying dispatchers incorrectly. As a result, some dispatchers received compensation for 80 hours whenever their schedule resulted in working 64 hours. Furthermore, some dispatchers were overpaid for overtime when their scheduled workweek exceeded 40 hours, while others did not receive compensation for the additional hours. Finally, dispatchers recorded overtime before working a 40-hour week. The Division has since revised dispatcher schedules to ensure they work 40 hours each week. However, additional procedures are needed to ensure the consistent application of time reporting requirements. (page 17)
- The correct interpretation and consistent application of laws and regulations, as well as improved communication, will help reduce the number of payroll errors. The Division did not properly compensate employees because it did not always interpret state laws and regulations correctly. In addition, employees qualifying for certain pay premiums such as differentials for shifts, did not always receive the same compensation as others who qualified. Finally, changes in regulations and procedures were not always communicated to personnel in a timely manner. (page 20)
- Reducing the number of timekeeping documents will also help improve the accuracy of the Division's payroll process. Employees prepared as many as four timesheets each pay period plus a timekeeping report for each emergency response. Therefore, numerous documents had to be reviewed and

processed. As a result, reporting errors were not always detected. (page 21)

- Streamlining the timesheet review process can help ensure employees are paid promptly. Because of an inefficient review process, some timesheets took months to process. The lengthy process also contributed to employees submitting a duplicate timesheet and being paid twice for the same hours. While the Division has since revised the review process, additional action is needed. (page 23)
- An automated timekeeping and incident reporting system can also help improve the efficiency and effectiveness of the Division's payroll and billing process. Although the Division has an automated system in the Western Region that can produce timesheets and billings, it is not used for these purposes. Our analysis of the system's timekeeping function indicates it provides the essential information needed for the state's payroll system. In addition, it is capable of expediting the billing process. Therefore, the Division should continue to evaluate the system and determine if the timekeeping and billing components should be implemented on a statewide basis. (page 26)

Recommendations

This report contains 12 recommendations to help ensure fire suppression and payroll expenditures are appropriate and in compliance with applicable laws, regulations, and procedures. Specifically, policies and procedures are needed to ensure fire suppression expenditures are properly billed and supported by sufficient documentation, and fire supply inventories are properly safeguarded. The Division also needs to reevaluate its purchase order process and eliminate unnecessary procedures. To improve the Division's payroll process, procedures should be revised to ensure all payroll expenditures are charged to the proper account and employees are paid in accordance with applicable laws and

regulations. In addition, the Division should consolidate the regular and fire suppression timesheets into one document, streamline the timesheet review process, provide on-going payroll training, and ensure supervisors conduct accurate and timely reviews. The Division should also determine if its automated incident reporting system can help improve the efficiency and effectiveness of the payroll and billing process. (page 41)

Agency Response

The agency, in its response to our report, accepted all 12 recommendations. (page 36)