



City of
Corpus
Christi

AU14-006
Fire Department
Local Emergency Planning Committee

Office of the City Auditor
Arlena Sones, CPA, CIA, CGAP
City Auditor

March 28, 2014

Executive Summary

At the request of the City of Corpus Christi (City) Fire Department and with the approval of the Audit Committee, we conducted an audit of the Local Emergency Planning Committee (LEPC). The LEPC Executive Committee is chaired by Fire Chief Robert Rocha. The objective of this audit is to determine whether expenditures are appropriate to LEPC requirements and in compliance with City policies and procedures. The scope of this audit is August 1, 2011 to January 31, 2014.

We concluded that LEPC expenditures are appropriate under the LEPC requirements and in compliance with City policies and procedures; however, we noted the following:

- Noncompliance with the Interlocal Cooperation Agreement regarding a separate, interest bearing account.
- Undocumented approval regarding an employer provided vehicle.
- Erroneous charges to the LEPC fund netting \$2,547.05.

We recommend that Chief Rocha:

- Seek an amendment to the Interlocal Cooperation Agreement regarding a separate, interest bearing bank account.
- Obtain authorization for the use of a take-home vehicle.
- Refund \$740.22 to the LEPC fund.

City management agrees with this report. See the responses at Appendix A.

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Background

Per the State of Texas Local Emergency Planning Committee (LEPC) Handbook, the role of the LEPC is to form a partnership between local government and industry as a resource for enhancing hazardous materials preparedness. The LEPC also provides local governments and the public with information about possible chemical hazards in their communities.

On October 27, 1992, Nueces County, the City of Corpus Christi (City), and the Port of Corpus Christi Authority entered into the first interlocal agreement for the purpose of providing for the administration of the LEPC for Nueces County. The Nueces County Judge designated the City's Fire Chief as Chairman of the City of Corpus Christi/Nueces LEPC Executive Committee.

In addition to the City Fire Chief, multiple City employees perform daily administrative duties on behalf of the LEPC; however, only the LEPC Coordinator's salary is paid by the LEPC.

The LEPC is funded with donations from local government and industry partners. Actual expenditures for the past FY12 and FY13 are shown below along with the FY14 expenditures through January 31, 2014:

LEPC Expenditures	
FY12	\$89,275
FY13	\$81,373
FY14*	\$46,196
*Actual expenditures as of January 31, 2014	

Statutory Authority and Municipal Guidelines

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria for the audit:

- State of Texas LEPC Handbook
- Interlocal Cooperation Agreement
- Interlocal Agreement for Acquisition, Management, Operation, and Maintenance of a Vehicle for the LEPC
- City Policy F-4.10, Departmental Purchase Orders
- City Policy P-15.0, Procurement Card Program
- City Policy F-12, Employer Provided Vehicle

Audit Objective, Scope and Methodology

The audit objective is to determine if LEPC expenditures are appropriate to LEPC requirements and in compliance with City policies and procedures for the period of August 1, 2011 to January 31, 2014.

Our scope of work included a review of expenditures including purchase orders, procurement card purchases, and fuel card purchases. We verified that only the LEPC Coordinator's salary was expensed to the LEPC fund.

We relied on general ledger data from the City's financial system of record, PeopleSoft, to obtain the expenditures for the scope of our audit; however, we did not audit the system's general or application controls.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial activity is accurately reported and reliable, and management and their employees are in compliance with laws, regulations, and agreements with other entities.

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

Audit Conclusion

LEPC expenditures are appropriate to LEPC requirements and in compliance with City policies and procedures during the time period of August 1, 2011 – January 31, 2014.

Staff Acknowledgement

Jacey Reeves, Auditor
Sarah Arroyo, Management Assistant

Audit Results and Recommendations

A. Bank Account Not Separate and Interest Bearing

LEPC monies are not deposited in the name and to the credit of the LEPC in an interest bearing account as required by the Interlocal Cooperation Agreement.

Instead, the LEPC revenues are maintained in the City's combined operating account with a portion invested in the City's TexPool investment account. LEPC is receiving interest payments from the TexPool account, but only \$31,138 out of \$99,456 was invested as of January 31, 2014. While we did not audit LEPC revenues or interest earnings, we estimate unearned interest of approximately \$95 over the 30 months of the audit scope.

Even though monies are not segregated, all LEPC financial transactions (i.e. deposits, payroll, and account payable) are processed by the City's Financial Services Department and are reported in a special revenue fund in the City's financial statements.

Recommendation:

Chief Rocha should inform the Executive Committee of this issue, and seek to amend the Interlocal Cooperation Agreement to delete the requirement for funds to be deposited in the name and to the credit of LEPC.

Should the LEPC wish to establish a separate bank account, it should consult with the City's Financial Services Department and consider the extra cost associated with maintaining its own account, both in terms of bank service charges and the effort needed to establish new accounting procedures.

B. Employer Provided Vehicle

The LEPC has one vehicle listed under the City fleet which is used as a take-home vehicle by the LEPC Coordinator. There is no written authorization for this vehicle to be used as a take-home vehicle.

The Interlocal Agreement for Acquisition, Management, Operation, and Maintenance of a Vehicle for the LEPC does not discuss take-home vehicle privileges; however, City policy F-12, Employer Provided Vehicles allows the use of take-home vehicles when approved by the department director in writing with notification to the Financial Services Department.

There are tax implications to employees with an employer provided vehicle. Without the written authorization by the department director, the employee's W-2 form is incorrect.

Recommendation:

Chief Rocha should seek the approval of the Executive Committee regarding the use of the employer provided vehicle. If approval is granted, Chief Rocha should meet with the City's Financial Services Department to determine if the vehicle is exempt. If the vehicle is determined not to be exempt, Chief Rocha should provide written authorization to the City's Financial Services Department for the use of the employer provided vehicle.

C. Expenditures

Generally, expenditures are appropriate. However, the following exceptions attributed to clerical errors totaling \$2,547.05 occurred:

- Four procurement card transactions during March 2012 were charged to LEPC fund; however, they should have been charged to a Fire Department grant fund. The total amount was \$1,806.83. This posting error was corrected during the audit.
- Various Fire Department fuel transactions netting \$740.22 were charged to LEPC (December 2011, January 2012, November 2012, and February 2013).

Recommendation:

Chief Rocha should reimburse the LEPC fund for Fire Department fuel charges netting \$740.22.

APPENDIX A - MANAGEMENT RESPONSE



City of
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March 26, 2014

Arlena Sones, CPA, CIA, CGAP
City Auditor
Corpus Christi, Texas

Re: AU14-006 Fire Department, Local Emergency Planning Committee

We have carefully reviewed the issues presented in the audit report reference above and our plans to correct the issues are described below:

A. Bank Account Not Separate and Interest Bearing

LEPC monies are not deposited in the name and to the credit of the LEPC in an interest bearing account as required by the Interlocal Cooperation Agreement.

Recommendation: Chief Rocha should inform the Executive Committee of this issue, and seek to amend the Interlocal Cooperation Agreement to delete the requirement for funds to be deposited in the name and to the credit of LEPC.

Should the LEPC wish to establish a separate bank account, it should consult with the City's Financial Services Department and consider the extra cost associated with maintaining its own account, both in terms of bank service charges and the effort needed to establish new accounting procedures.

Agree/Disagree	Responsible Party, Title	Completion Date
Agree	Robert Rocha, LEPC Chairperson	September 2014
<i>Action Plan: The LEPC has consulted with the City's Financial Service Department and due to the extra cost associated with maintain its own separate account, the LEPC Chairperson will seek to amend the Interlocal Agreement to delete this requirement.</i>		

B. Employer Provided Vehicle

The LEPC has one vehicle listed under the City fleet which is used as a take-home vehicle by the LEPC Coordinator. There is no written authorization for this vehicle to be used as a take-home vehicle.

APPENDIX A - MANAGEMENT RESPONSE

Recommendation: Chief Rocha should seek the approval of the Executive Committee regarding the use of the employer provided vehicle. If approval is granted, Chief Rocha should meet with the City’s Financial Services Department to determine if the vehicle is exempt. If the vehicle is determined not to be exempt, Chief Rocha should provide written authorization to the City’s Financial Services Department for the use of the employer provided vehicle.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Robert Rocha, LEPC Chairperson	September 2014
<i>Action Plan: The LEPC Chairperson will seek approval of the LEPC Executive Committee regarding the use of the employer provided vehicle and will provide written authorization to the City’s Financial Service Department if approval is granted. The LEPC By-laws will also be amended to reflect this authorization if approved.</i>		

C. Expenditures

Generally, expenditures are appropriate. However, the following exceptions totaling \$2,547.05 occurred:

- Four procurement card transactions during March 2012 were charged to LEPC fund; however, they should have been charged to a Fire Department grant fund. The total amount was \$1,806.83. This posting error was corrected during the audit.
- Various Fire Department fuel transactions netting \$740.22 were charged to LEPC (December 2011 to November 2012).

Recommendation:

Chief Rocha should reimburse the LEPC fund for Fire Department fuel charges totaling \$740.22.

<i>Agree/Disagree</i>	<i>Responsible Party, Title</i>	<i>Completion Date</i>
Agree	Robert Rocha, LEPC Chairperson	3/31/14
<i>Action Plan: The Fire Chief has requested that Financial Services perform a transaction to reimburse the LEPC fund \$740.22 from the Fire Department Fund 1020-12050-520050.</i>		

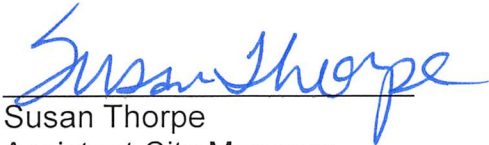
APPENDIX A - MANAGEMENT RESPONSE

We are committed to correcting the issues in the audit report by implementing the action plans described above.

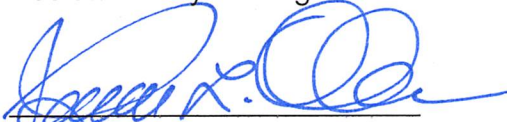
Sincerely,



Robert Rocha, Chief
Fire Department



Susan Thorpe
Assistant City Manager



Ron Olson
City Manager