



# Internal Audit Department

## O R A N G E C O U N T Y

### AUDIT HIGHLIGHT DECEMBER 16, 2013

#### HEALTH CARE AGENCY AUDIT OF ENVIRONMENTAL HEALTH DIVISION FY 2013-14 FEE STUDY Audit No. 1327

##### WHAT WE DID

At the request of the Health Care Agency (HCA), Internal Audit Department conducted an audit of the Environmental Health FY 2013-14 Fee Study. Our audit included review of the fee study for compliance with the County policies for full cost recovery, for mathematical accuracy and to ensure the fee study is supported by source documentation. Our audit scope and objectives did not identify or evaluate alternatives or options to fee increases. As such, this issue remains to be determined by the Board of Supervisors and HCA management. The total Environmental Health fee-based program cost estimated by the FY 2013-14 fee study is **\$24.4 million**. This reflects an increase of \$2.8 million or 13.3% over the total estimated costs based on the last comprehensive FY 2008-09 fee study.

##### WHY IS THIS AUDIT IMPORTANT?

The Environmental Health fees are divided into four main programs: Food & Pool, Hazardous Materials Management (including Medical Waste), Solid Waste, and Water Quality. There are approximately **220 fees** in the fee-supported programs, and the fee schedules are subject to approval by the Board of Supervisors. This **fee study is a three-year study** covering FYs 2013-14, 14-15 and 15-16. The costs of services are estimated based on prior year actual costs, with certain adjustments, and the fees are then calculated based on the projected estimated costs. HCA's Revenue Unit prepared schedules detailing cost estimation and proposed fee calculations for the three-year period.

##### WHAT THE AUDITORS FOUND?

We found that cost estimations included direct and indirect cost components in compliance with the County policies for full cost recovery. We found that recommended fee calculations were set at full cost, except for certain fees that were recommended by HCA to be below full cost for FY 2013-14. In those instances, excess prior year revenues are being proposed to reduce the impact of certain significant fee increases. We found that cost estimations and fee calculations were mathematically accurate and were supported by source documentation. We found the fee study methodology was in accordance with County and HCA policies and procedures.

##### Audit Findings and Control Recommendations

Our audit identified one recommendation for HCA to disclose on the Fee Checklist and the Agenda Staff Report that certain fees have been recommended at below full cost and provide the justification. HCA concurred with the recommendation and will disclose on the Fee Checklist and Agenda Staff Report that certain fees have been recommended at below full cost based on HCA's authority granted by the Board of Supervisors on June 2, 2009, which allows HCA to carry over any excess Environmental Health fee revenue, and to use the excess fee revenue to offset future Environmental Health fee-related expenditures.