

**EMERGENCY FIRE COST COMMITTEE
FISCAL YEAR 2012 AUDIT REPORT
OREGON FOREST LAND PROTECTION FUND
August 27, 2012**

I. Overview

The Emergency Fire Cost Committee (EFCC) Administrator annually audits all fire costs which are a part of the claims against the Oregon Forest Land Protection Fund (OFLPF). This report summarizes the findings of the EFCC’s fiscal year 2012 audits; the Administrator recommends that the EFCC approve the audits and consequently authorize payment of those claims when they are finalized.

Tim Keith, EFCC Administrator and Colleen Conlee, EFCC Finance Coordinator conducted the audits. In addition, Sharrol Pyle, Office Manager from Southwest Oregon District assisted with the review of documentation during the Central Oregon District audit. Attendees of audits included district foresters, office and fiscal managers, as well as various unit foresters and other district staff employees.

Fiscal year 2011-2012 audits are complete. During fiscal year 2012 (2011 fire season), total extra costs were \$4,073,019.07; after reductions were made for district deductibles and fire cost recoveries, the net claim to the OFLPF is \$2,905,524.83. The following table identifies the four districts that became eligible for reimbursement after meeting all fire suppression cost deductible requirements outlined in OAR 629-061-000 through 629-061-0005.

DISTRICT	TOTAL EXTRA COST	DEDUCTIBLE(S)	COST RECOVERY	NET CLAIM
Central OR District – Tbr	\$1,113,636.96	\$195,413.64	\$65,272.20	\$852,951.12
Central OR District – Grz	\$628,950.12	\$108,093.61	\$6,906.31	\$513,950.20
Douglas FPA – Grz	\$362,740.11	\$207,701.20	\$0.00	\$155,038.91
Northeast OR Dist. – Tbr	\$126,250.15	\$101,642.69	\$925.80	\$23,681.66
Northeast OR Dist. – Grz	\$270,980.08	\$76,968.85	\$1,255.90	\$192,755.33
Southwest OR Dist. – Tbr	\$1,570,461.65	\$403,314.04	\$0.00	\$1,167,147.61
Total	\$4,073,019.07	\$1,093,134.03	\$74,360.21	\$2,905,524.83

II. Audit Philosophy & Procedures

OAR 629-061-0045 requires that emergency fire suppression cost claims against the Oregon Forest Land Protection Fund not be finalized until “... (2) The Administrator has audited each claim; and (3) The Emergency Fire Cost Committee has approved each audit. ...” With this requirement, the Administrator and Finance Coordinator analyze expenditures to assure that they meet all fiscal requirements of the agency and the State of Oregon, are necessary and appropriate for the suppression of the respective incidents, and are appropriately documented. This review assures that the EFCC maintains their financial responsibility to manage the OFLPF for the purpose of spreading the risk of emergency fire suppression costs among protection districts statewide – equalizing their eligible emergency fire expenses. In turn, the audits help maintain the State Forester’s ability to procure affordable catastrophic fire insurance to protect the financial interests of forest landowners, Oregon Department of Forestry, and the State of Oregon. This in turn helps assure the State Forester “provide a complete and coordinated forest fire protection system.”

The focus of each audit can be separated into two parts. First, all equipment and aircraft charges are reviewed for conformity to pre-set pay schedules and appropriateness. Second, fire line payroll records are reviewed and compared to the Oregon State Payroll System’s (OSPS) official records (XREF96C and OSPS payroll project reports), and fire line equipment records are reviewed and compared to ODF billing for equipment rental records for accuracy.

The EFCC Administrator encourages the audits be attended by fire management personnel as well as fire fiscal personnel. This affords the added benefit of the audit providing a forum for communicating EFCC policy, procedures and philosophy to these personnel, as well as an opportunity for these individuals to communicate success stories, emerging trends, and issues or concerns. These two-way discussions help assure that we are providing an emergency fire funding program that is responsive to evolving needs/changes in the forest fire fighting business, and ensures continuity of the “Oregon way” of forest landowner-based, and funded, firefighting.

III. Audit Results, Fiscal Year 2012

Districts continue to demonstrate a good understanding of fire finance requirements, are making concerted efforts to minimize firefighting costs, and are cost-effectively suppressing wildfire on state/association-protected lands in Oregon. Districts presented organized fire files but should be mindful of their responsibility to provide complete fire packages for review as well – there were instances where follow-up was required after the formal audit. The statewide total for reversal of charges (from the OFLPF back to the district or a vendor/provider) was \$8,110.93. This total reflects .28% of the fiscal year claim total (\$2,905,525); which compares favorably to the past nine years (which range from .51% to a low of .03%). Consequently, it is the feeling of the Administrator that audits conducted for FY12 were very good.

This 2012 fiscal year audit report highlights specific areas of concern that the audits revealed for the Administrator and Finance Coordinator. The issues are identified below, with recommendations for resolution bulleted in *italics*. Procedural findings that did not result in reversal of eligible charges are indicated by an asterisk (*). These issues have already been shared with the Forest Protection Division Chief and the acting Deputy Protection Division Chief. Concerns are outlined below:

Contract Crew Payments

Upon review of payment documents against fire line shift tickets, it was discovered that a contractor was compensated for more time than was posted on a shift ticket.

- *‘Self-auditing’ of fire line documents against billing invoices is required to assure the accuracy of payments made to contractors.*

Total reversal statewide: \$357.10

Eligibility of Personnel with Protection Funding

During the audit process, it was identified that “base-eight” salary charges for personnel with protection funding that were assigned to overhead positions on an eligible type 3 incident within their area of responsibility were charged against the fund. In addition, overtime costs for personnel with protection funding not assigned to an overhead position on an eligible type 3 incident occurring within their area of responsibility were also identified. Only overtime costs for personnel with an overhead assignment on an eligible type 3 or larger incident are an eligible charge to the fund.

- *Fire managers and fiscal personnel must continue to review the guidelines to stay current, and effectively instruct their seasonal as well as fire militia personnel to ensure costs for employees charged to fires are consistent with the OFLPF guidelines.*

Total reversal statewide: \$2,314.88

Equipment Payments

There was not appropriate documentation recorded on timekeeping documents to verify that the appropriate rate of pay was assigned; i.e. make, model, etc.

- *Documents used to rent equipment in fire situations should include all pertinent information so that the assigned rate of pay can be verified.*

Fire records revealed equipment costs were charged to the OFLPF that should have been charged to another agency due to a cost share agreement.

- *Cost share agreements must be reviewed during the billing process for an accurate apportionment of firefighting and support costs consistent with the agreement.*

Total reversal statewide: \$370.30

Helicopter Payments

Districts continued to struggle implementing the deductible requirement. Districts were required to meet a fixed deductible amount of \$12,000 in a seven day period during FY12 whether procured through district contract, severity or call-when-needed – districts with a contract helicopter were subject to 50% of the fixed deductible amount. Districts are responsible for tracking and processing payment of those resources hired by their district, and Salem is responsible for tracking and processing statewide severity resources.

- *Documentation and payment processes for aircraft resources need to be reviewed and adjusted as needed to allow better (and easier) identification of ineligible OFLPF charges. Regardless of who processes payment for fire resources, it is the district's responsibility to ensure that the appropriate documentation for all charges is included in their fire package.*

Total reversal statewide: \$5,068.65

Incomplete Shift Tickets*

Incomplete shift tickets were identified with regard to timekeeping for contract crews. It was noted that there was a lack of a company representative's signature verifying time worked – this is a standard requirement of ODF timekeeping processes, and a requirement of the interagency fire crew agreement.

- *Pre-season training must emphasize the requirements of contract crew timekeeping, and better review of these documents must occur at the fire and during the payment process.*

IV. Audit Summary and Follow-up

Only one of the audit findings was procedural in nature and did not result in reversal of eligible charges; this finding indicates a need to follow existing procedures. It is important that deficiencies be addressed and mitigated – if not corrected, these issues can multiply during severe, high cost seasons.

Districts continue to demonstrate aggressive firefighting throughout the State as illustrated by numerous examples they provided the Administrator. One example from Northeast Oregon District particularly resonated. On an interagency fire in the district's Wallowa Unit, the USFS (Carl West's Northwest Oregon type 2 team) expended significant resources (retardant and smokejumpers) to hold the Cactus Mountain Fire at a key ridge, preventing significant spread of the fire onto adjoining private forest land. The district's strong interagency relationships assured the mutual success of the USFS and ODF on this incident, and prevented additional suppression cost and resource loss on private forestland. This example is indicative of the effect that a strong, pro-active fire management program can have successfully minimizing the cost and loss associated with wildfire in Oregon. The Administrator commends this effort, and the many other examples found throughout the state.

As in the past, the Administrator will work with the Forest Protection Division Chief and the acting Deputy Protection Division Chief to implement these audit findings and recommendations, instilling changes as needed.

Although it was not a particularly busy season, the number and size of the reversals continued the trend of fewer, less-costly mistakes. The total financial impacts of the audit with reference to ineligible charges identified and charged back to the Districts are as follows:

DISTRICT	IDENTIFIED ISSUE	DEDUCTION	TOTAL REVERSED CHARGES
COD	Personnel Charges: Personnel with Protection Funding	\$156.53	\$156.53
DFPA	Personnel Charges: Personnel with Protection Funding	\$2,158.35	\$2,158.35
NEO	Equipment Charges: Incorrectly Coded Cost Share Split	\$370.30	\$370.30
SWO	Contract Crews: Overpayment	\$357.10	\$5,425.75
	Helicopter Flight Chgs: Incorrectly Allocated District Deductible	\$4,789.65	
	Helicopter Flight Chgs: SPA Helicopter Miscode & Overcharge	\$279.00	
STATEWIDE TOTAL OF REVERSED CHARGES			\$8,110.93

V. Action Recommended

Pursuant to OAR 629-061-0045, the Administrator recommends that the Emergency Fire Cost Committee approve these audits of fires that burned in fiscal year 2012, and that fire suppression cost claims against the OFLFP from that fiscal year be finalized.