



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting
Wednesday, February 11, 2015
12:00 Noon

Orange County Fire Authority
Regional Fire Operations and Training Center
1 Fire Authority Road
Room AE117
Irvine, California 92602

Jerry McCloskey, Chair
Sam Allevato, Vice Chair
Gene Hernandez Al Murray Todd Spitzer Elizabeth Swift
Bruce Channing - Ex Officio

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Unless legally privileged, all supporting documents, including staff reports, and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda are available for review at the Orange County Fire Authority Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Thursday, and every other Friday from 8 a.m. to 5 p.m. and available online at <http://www.ocfa.org>

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Swift

ROLL CALL

CLOSED SESSION

CS1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Authority: Exposure to Litigation pursuant to Government Code Section 54956.9(b)
(1 case)

CLOSED SESSION REPORT

1. PRESENTATIONS

No items.

PUBLIC COMMENTS

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

2. MINUTES**A. Minutes for the January 14, 2015, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

3. CONSENT CALENDAR**A. Monthly Investment Reports**

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Second Quarter Financial Newsletter

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

4. DISCUSSION CALENDAR

A. Capital Projects Fund Policy

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the following actions:

1. Adopt the new *Capital Projects Fund Policy* effective July 1, 2014.
2. Adopt the revised *Assigned Fund Balance Policy* effective July 1, 2014.
3. Re-name and/or re-define three of the existing capital projects funds (Communications & Information Systems; Vehicle Replacement; and Facilities Replacement) to more fully reflect the types of activities being accounted for in the funds.
4. Authorize a transfer from the Facilities Maintenance & Improvements Fund to the General Fund totaling \$2,710,702 (beginning fund balance as of July 1, 2014) and the subsequent closure of the Facilities Maintenance & Improvements Fund. Increase Fiscal Year 2014/15 budgeted transfers in and out of both funds accordingly.
5. Establish an initial "assignment for the capital improvement program" within the General Fund in the amount of \$2,680,975, to be adjusted annually thereafter in accordance with the revised *Assigned Fund Balance Policy*.

B. Purchasing Regulations for Change Orders

Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the submitted changes to the Roles/Responsibilities/Authorities Matrix.

C. Air Operations Program Enhancements: Staffing, Schedule and Safety Management System

Submitted by: Dave Thomas, Assistant Chief/Operations Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following actions:

	<u>Fiscal Impact</u>
1. Support the Fire Chief’s recommendation to modify the current Helicopter work schedule to a 24/7, three platoon schedule.	(\$6,054) annual savings
2. Direct staff to return to the Board of Directors for approval of a contract to construct sleeping accommodations in the existing hangar facility.	\$100,000 one-time cost
3. Approve a sole source contract with Argus-Prism for Safety Management Systems software, training and maintenance for a three-year term.	\$28,000 three-year cost
4. Authorize the addition of one Firefighter/Paramedic to the Air Operations Helicopter Program during weekends only, for a six-month trial period.	\$65,652 six-month trial
5. Direct staff to include these changes in the FY 2014/15 mid-year budget adjustments that will be submitted to the Board of Directors in March.	
Total Request (facility, software, FF/PM trial)	<u><u>\$187,598</u></u>

D. Independent Accountant’s Work Papers and Notes

Submitted by: Lori Zeller, Assistant Chief/Business Services Department

Recommended Action:

Receive and file the report.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 11, 2015, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Training and Operations Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 5th day of February 2015.

Sherry A.F. Wentz, CMC
 Clerk of the Authority

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, February 19, 2015, 5:30 p.m.
Executive Committee Meeting	Thursday, February 19, 2015, 6:00 p.m.
Board of Directors Meeting	Thursday, February 26, 2015, 6:00 p.m.
Human Resources Committee Meeting	Tuesday, March 3, 2015, 12:00 noon
Budget and Finance Committee Meeting	Wednesday, March 11, 2015, 12:00 noon



Orange County Fire Authority
AGENDA STAFF REPORT

**Budget and Finance Committee Meeting
February 11, 2015**

**Agenda Item No. 1
Presentations**

There are no items for Section 1
PRESENTATIONS.

MINUTES

ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, January 14, 2015
12:00 Noon

Regional Fire Operations and Training Center
Room AE117
1 Fire Authority Road
Irvine, CA 92602

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on January 14, 2015, at 12:00 p.m. by Vice Chair McCloskey.

PLEDGE OF ALLEGIANCE

Vice Chair McCloskey led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL

Present:

Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park

Absent:

Sam Allevato, San Juan Capistrano

Also present were:

Fire Chief Jeff Bowman	Assistant Chief Mike Schroeder
Assistant Chief Lori Smith	Assistant Chief David Thomas
Assistant Chief Brian Young	Assistant Chief Lori Zeller
General Counsel David Kendig	Communications Director Sandy Cooney
Human Resources Director Jeremy Hammond	Clerk of the Authority Sherry Wentz

ELECTION OF CHAIR AND VICE CHAIR (F: 12:02B1)

On motion of Director Swift and second by Director Murray, the Committee voted to elect Jerry McCloskey as Chair of the Budget and Finance Committee for the ensuing term.

On motion of Director Murray and second by Director McCloskey, the Committee voted to elect Sam Allevato as Vice Chair of the Budget and Finance Committee for the ensuing term.

PUBLIC COMMENTS (X: 12.02B3)

Chair McCloskey opened the Public Comments portion of the meeting.

Stephen Wontrobski, Mission Viejo resident, commented on the lack of response by OCFA's audit firm LSL regarding his request for working documents associated with the Procurement Audit and his continued concern regarding the OCFA procurement process. He requested the Budget and Finance Committee look into the denial of records by LSL. (F: 15.02A1) (X: 14.05B1a)

Chair McCloskey closed the Public Comments portion of the meeting.

2. MINUTES

A. Minutes for the November 5, 2014, Budget and Finance Committee Meeting

(F: 12.02B2)

On motion of Director Murray and second by Director Swift, the Committee voted to approve the Minutes of the November 5, 2014, Budget and Finance Committee Meeting, as submitted.

3. CONSENT CALENDAR

Agenda Item Nos. 3B and 3C were pulled from the Consent Calendar for separate consideration.

A. Monthly Investment Reports (F: 11.10D2)

On motion of Director Swift and second by Director Murray, the Committee voted to direct staff to place the item on the agenda for the Executive Committee meeting of January 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

B. Quarterly Status Update – Orange County Employees' Retirement System (F: 17.06B)

Director Murray pulled this item for clarification on the OCER's staff recommendation to place PIMCO on watch as a result of personnel and organizational changes.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to receive and file the report.

C. Updated Broker/Dealer List (F: 11.10D4)

This item was pulled by a member of the public for separate consideration.

Treasurer Tricia Jakubiak provided a detailed report regarding the proposed Broker/Dealer List.

Stephen Wontrobski, Mission Viejo resident, spoke on his opposition to the updated OCFA broker/dealer list.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to receive and file the report and directed staff to place the item on the agenda for the Executive Committee meeting of January 15, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee approve the proposed Broker/Dealer List to include the following three firms:

- FTN Financial
- Raymond James
- UBS Financial Services

4. DISCUSSION CALENDAR

A. FY 2014/15 Mid-Year Financial Report (F: 15.04 14/15)

Assistant Chief Zeller provided a PowerPoint presentation on the FY 2014/15 Mid-Year Financial Report.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of January 22, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the recommended actions listed below.

1. Approve a budget adjustment in Fund 121 to allocate \$3,000,000 of available unencumbered funds identified in the FY 2013/14 financial audit to OCFA's unfunded pension liability and allocate any remaining funds to OCFA's Capital Improvement Program.
2. Approve a budget adjustment in Fund 121 to increase the FY 2014/15 Jurisdictional Equity Adjustment Payments by \$4,978,772 resulting in full accrual of the Payments per the Second Amendment to the Amended Joint Powers Agreement, pending resolution of the appeal.
3. Authorize the following staffing changes:
 - a. Unfreeze two Fire Prevention Specialist positions in the Community Risk Reduction Department to improve OCFA's response to increased development activity.
 - b. Convert the 22 Hand Crew Firefighter positions from limited-term to permanent status.
4. Direct staff to return to the Board of Directors in March 2015 for approval of all additional budget adjustments discussed herein for the FY 2014/15 budget.

B. Internal Control Review of Capital Assets and Inventory Control (F: 15.02A1)

Assistant Chief Zeller introduced Finance Manager Jim Ruane who introduced Bryan Gruber, CPA, with LSL who provided a report on the Internal Control Review of Capital Assets and Inventory Control.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to:

1. Receive and file the attached Independent Auditors' Report of Internal Controls on Procurement/Disbursement Practices related to the Capital Assets and Inventory Control.
2. Direct staff to implement the corrective actions as stated in the report.

C. OCFA 2015 Grants Priorities (F: 11.10G)

Communications Director Sandy Cooney introduced Legislative Analyst Jay Barkman, who provided a report on the OCFA's 2015 Grants Priorities.

On motion of Director Murray and second by Director Swift, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of January 22, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve OCFA's grant priorities for 2015.

REPORTS

There were no items to report.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Murray commended the OCFA for the response on a condo fire in the City of Tustin that morning.

Director Swift requested follow-up regarding LSL's working documents associated with the procurement audit.

Chair McCloskey thanked Division Chief Bryan Brice for his attentiveness to a commendation request in the City of Laguna Niguel.

ADJOURNMENT – Chair McCloskey adjourned the meeting at 1:13 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, February 11, 2015, at 12:00 noon.

Sherry A. F. Wentz, CMC
Clerk of the Authority



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 3A
Consent Calendar

Monthly Investment Reports

Contact(s) for Further Information

Patricia Jakubiak, Treasurer Treasury & Financial Planning	Triciajakubiak@ocfa.org	714.573.6301
Jane Wong, Assistant Treasurer	Janewong@ocfa.org	714.573.6305

Summary

This agenda item is a routine transmittal of the monthly investment reports submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Attached is the final monthly investment report for the month ended December 31, 2014. A preliminary investment report as of January 23, 2015 is also provided as the most complete report that was available at the time this agenda item was prepared

Attachment(s)

Final Investment Report – December 2014/Preliminary Report – January 2015

Orange County Fire Authority Monthly Investment Report



Final Report – December 2014

Preliminary Report – January 2015



Monthly Investment Report Table of Contents

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Orange County Fire Authority

Final Investment Report

December 31, 2014



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of December 2014, the size of the portfolio increased significantly from \$128.7 million to \$217.0 million. Significant receipts for the month included the second and third apportionments of secured property taxes for a total of \$89.9 million and receipts for quarterly cash contract payments totaling \$14.9 million. Significant disbursements for the month included primarily two biweekly payrolls, which were approximately \$8.8 million each with related benefits. Total December cash outflows for operating expenditures amounted to approximately \$20.4 million. The portfolio's balance is expected to decrease significantly in the following month as there are no major receipts scheduled for January.

In December, the portfolio's yield to maturity (365-day equivalent) declined by 6 basis points to 0.22%. The effective rate of return decreased similarly by 5 basis points to 0.22% for the month and edged down by 1 basis point to 0.26% for the fiscal year to date. The average maturity of the portfolio shortened by 44 days to 135 days to maturity. As the first half of the fiscal year completed, portfolio interest earnings came in more than expected. Thus, interest earnings are being reviewed for a mid-year budget adjustment.

Economic News

The U.S. economic activity remained mixed in December 2014, although overall activity weakened slightly. On the upside, employment conditions stayed solid in December. There were a total of 252,000 new jobs created in December, beating expectations. In addition, a net increase of 50,000 jobs was adjusted for the previous two months. The unemployment rate also came in better than expected decreasing by 2 basis points to 5.6%, in part due to a decline in the number of people looking for work. Consumer confidence measures increased in December, and the NFIB (National Federation of Independent Business) small business optimism index continued to rise to its highest level since October 2006. However, on the other hand, retail sales came in disappointingly weaker than expected. Both manufacturing and non-manufacturing sectors pulled back slightly for the month, although activity remained at an expanding level. New home sales increased better than expected, but overall housing activity stayed mixed and slow. Industrial production decreased slightly, but durable goods orders unexpectedly dropped significantly. Inflation fell further as oil prices continued to decline. Despite the slightly weakened economic activity, current expectations remain that the Fed will likely raise rates in mid-2015.



BENCHMARK COMPARISON AS OF DECEMBER 31, 2014

<i>3 Month T-Bill:</i> 0.03%	<i>1 Year T-Bill:</i> 0.21%
<i>6 Month T-Bill:</i> 0.11%	<i>LAIF:</i> 0.27%
<i>OCFA Portfolio:</i> 0.22%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$217,030,366	\$128,741,870	\$180,095,611
<i>Yield to Maturity (365 day)</i>	0.22%	0.28%	0.24%
<i>Effective Rate of Return</i>	0.22%	0.27%	0.29%
<i>Days to Maturity</i>	135	179	187



**ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
December 31, 2014**

Orange County Fire Authority
1 Fire Authority Road
Irvine, Irvine, CA 92602
(714)573-6301

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	21,036,993.55	21,036,993.55	21,036,993.55	9.73	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	6,000,000.00	5,998,080.00	5,998,506.67	2.77	150	56	0.160	0.162
Federal Agency Coupon Securities	34,888,888.78	34,747,669.89	34,900,719.99	16.14	1,294	618	0.714	0.724
Federal Agency Disc. -Amortizing	104,320,000.00	104,306,046.80	104,298,930.98	48.23	109	68	0.081	0.083
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	23.12	1	1	0.263	0.267
Investments	216,245,882.33	216,087,809.24	216,235,151.19	100.00%	266	135	0.220	0.223
Cash								
Passbook/Checking (not included in yield calculations)	889,381.75	889,381.75	889,381.75		1	1	0.000	0.000
Total Cash and Investments	217,135,264.08	216,977,190.99	217,124,532.94		266	135	0.220	0.223

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	32,586.04	202,241.01
Average Daily Balance	175,705,241.25	156,392,587.44
Effective Rate of Return	0.22%	0.26%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak
Patricia Jakubiak, Treasurer 1/2/15

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 217,124,532.94
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (94,166.47)
Total	\$ 217,030,366.47

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 31, 2014

(See Note 1 on page 9) (See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			21,036,993.55	21,036,993.55	21,036,993.55	0.001	0.001	1	
Subtotal and Average			14,773,924.77		21,036,993.55	21,036,993.55	21,036,993.55		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JPS6	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,998,080.00	5,998,506.67	0.160	0.162	56	02/26/2015
Subtotal and Average			11,804,394.57		6,000,000.00	5,998,080.00	5,998,506.67		0.162	56	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,974,350.00	8,997,244.85	0.400	0.424	477	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,981,280.00	6,000,000.00	1.000	0.981	951	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 1-9-15)		12/20/2012	9,000,000.00	8,915,760.00	9,008,415.69	1.000	0.986	1,043	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	888,888.78	887,679.89	888,818.13	0.470	0.477	431	03/07/2016
3130A3RM8	850	Fed Home Loan Bank (Callable 6-30-15)		12/30/2014	10,000,000.00	9,988,600.00	10,006,241.32	0.770	0.645	180	12/30/2016
Subtotal and Average			25,540,073.37		34,888,888.78	34,747,669.89	34,900,719.99		0.724	618	
Federal Agency Disc. -Amortizing											
313312AQ3	845	Farm Credit Disc Note		12/18/2014	5,000,000.00	4,999,950.00	4,999,883.34	0.060	0.062	14	01/15/2015
313312FH8	846	Farm Credit Disc Note		12/18/2014	9,000,000.00	8,997,120.00	8,995,555.00	0.140	0.144	127	05/08/2015
313588AP0	843	Fed Natl Mortg Assoc		12/09/2014	2,085,000.00	2,084,979.15	2,084,977.41	0.030	0.031	13	01/14/2015
313396BF9	832	Freddie Mac		07/01/2014	9,000,000.00	8,999,820.00	8,999,347.50	0.090	0.093	29	01/30/2015
313396AN3	836	Freddie Mac		10/08/2014	7,000,000.00	6,999,930.00	6,999,918.33	0.035	0.036	12	01/13/2015
313396CZ4	837	Freddie Mac		10/27/2014	8,000,000.00	7,999,520.00	7,999,053.33	0.060	0.062	71	03/13/2015
313396AP8	841	Freddie Mac		12/08/2014	5,235,000.00	5,234,947.65	5,234,943.29	0.030	0.031	13	01/14/2015
313396ED1	847	Freddie Mac		12/18/2014	9,000,000.00	8,997,840.00	8,997,401.25	0.105	0.108	99	04/10/2015
313396FX6	848	Freddie Mac		12/18/2014	9,000,000.00	8,998,850.00	8,995,417.50	0.130	0.134	141	05/22/2015
313396GM9	849	Freddie Mac		12/18/2014	9,000,000.00	8,996,130.00	8,994,768.75	0.135	0.139	155	06/05/2015
313384BV0	839	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,730.00	8,999,355.00	0.060	0.062	43	02/13/2015
313384DP1	840	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,370.00	8,998,512.50	0.070	0.072	85	03/27/2015
313384AP4	842	Fed Home Loan Bank		12/09/2014	6,000,000.00	5,999,940.00	5,999,956.67	0.020	0.021	13	01/14/2015
313384AP4	844	Fed Home Loan Bank		12/18/2014	8,000,000.00	7,999,920.00	7,999,841.11	0.055	0.057	13	01/14/2015
Subtotal and Average			73,586,848.63		104,320,000.00	104,306,046.80	104,298,930.98		0.083	68	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	49,999,019.00	50,000,000.00	0.267	0.267	1	
Subtotal and Average			50,000,000.00		50,000,000.00	49,999,019.00	50,000,000.00		0.267	1	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
December 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
		Total and Average	175,705,241.25		216,245,882.33	216,087,809.24	216,235,151.19		0.223	135

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
December 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	604,381.75	604,381.75	604,381.75		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			175,705,241.25		217,135,264.08	216,977,190.99	217,124,532.94		0.223	135



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 1, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

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				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(01/01/2015 - 01/01/2015)	6 Maturities	0 Payments	71,926,375.30	33.13%	71,926,375.30	71,925,394.30
Aging Interval:	1 - 30 days	(01/02/2015 - 01/31/2015)	7 Maturities	0 Payments	42,320,000.00	19.49%	42,318,867.65	42,319,486.80
Aging Interval:	31 - 60 days	(02/01/2015 - 03/02/2015)	2 Maturities	0 Payments	15,000,000.00	6.91%	14,997,861.67	14,997,810.00
Aging Interval:	61 - 91 days	(03/03/2015 - 04/02/2015)	2 Maturities	0 Payments	17,000,000.00	7.83%	16,997,565.83	16,998,890.00
Aging Interval:	92 - 121 days	(04/03/2015 - 05/02/2015)	1 Maturities	0 Payments	9,000,000.00	4.14%	8,997,401.25	8,997,840.00
Aging Interval:	122 - 152 days	(05/03/2015 - 06/02/2015)	2 Maturities	0 Payments	18,000,000.00	8.29%	17,990,972.50	17,993,970.00
Aging Interval:	153 - 183 days	(06/03/2015 - 07/03/2015)	1 Maturities	0 Payments	9,000,000.00	4.14%	8,994,768.75	8,996,130.00
Aging Interval:	184 - 274 days	(07/04/2015 - 10/02/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(10/03/2015 - 01/01/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(01/02/2016 - 12/31/2017)	5 Maturities	0 Payments	34,888,888.78	16.07%	34,900,719.99	34,747,669.89
Aging Interval:	1096 days and after	(01/01/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			26 Investments	0 Payments			217,124,532.94	216,977,190.99



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank (formerly Union Bank) Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2014 includes an increase of \$14,938 to the LAIF investment and a decrease of \$(109,104) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of December 31, 2014, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2014 is 0.99998038. When applied to OCFA's LAIF investment, the fair value is \$49,999,019 or \$981 below cost. Although the fair value of the LAIF investment is lower than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at December 31, 2014 is included on the following page.



State of California
Pooled Money Investment Account
Market Valuation
12/31/2014

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 10,887,243,396.32	\$ 10,893,046,311.71	\$ 10,892,425,500.00	NA
Notes	\$ 17,710,184,296.49	\$ 17,708,969,034.53	\$ 17,712,248,000.00	\$ 16,255,025.50
Federal Agency:				
SBA	\$ 546,751,742.21	\$ 546,751,742.21	\$ 542,196,891.53	\$ 499,449.17
MBS-REMICs	\$ 104,044,287.57	\$ 104,044,287.57	\$ 110,871,394.73	\$ 495,601.80
Debentures	\$ 1,856,527,095.09	\$ 1,856,522,928.42	\$ 1,855,996,950.00	\$ 3,710,279.75
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 1,349,432,083.34	\$ 1,349,892,944.44	\$ 1,349,948,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debentures				
	\$ 450,246,568.19	\$ 450,199,693.19	\$ 449,536,000.00	\$ 759,031.50
CDs and YCDs FR				
	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ 500,000,000.00	\$ 500,000,000.00	\$ 499,853,180.04	\$ 220,944.45
CDs and YCDs	\$ 9,450,006,464.82	\$ 9,450,006,464.82	\$ 9,446,060,558.99	\$ 4,073,958.30
Commercial Paper	\$ 5,468,678,264.43	\$ 5,469,479,438.27	\$ 5,468,593,770.00	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements				
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits				
	\$ 5,035,240,000.00	\$ 5,035,240,000.00	\$ 5,035,240,000.00	NA
AB 55 & GF Loans				
	\$ 6,910,533,523.59	\$ 6,910,533,523.59	\$ 6,910,533,523.59	NA
TOTAL	\$ 60,268,887,722.05	\$ 60,274,686,368.75	\$ 60,273,503,768.88	\$ 26,014,290.47

Fair Value Including Accrued Interest \$ 60,299,518,059.35

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (0.99998038). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$19,999,607.60 or \$20,000,000.00 x 0.99998038.



Orange County Fire Authority
Preliminary Investment Report
January 23, 2015



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
January 23, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

(See Note 1 on page 18) (See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	17,042,047.48	17,042,047.48	17,042,047.48	9.52	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	6,000,000.00	5,999,100.00	5,999,120.00	3.35	150	33	0.160	0.162
Federal Agency Coupon Securities	34,888,888.78	34,876,027.67	34,900,470.41	19.51	1,294	595	0.714	0.724
Federal Agency Disc. -Amortizing	71,000,000.00	70,989,830.00	70,983,915.00	39.67	139	71	0.101	0.102
Local Agency Investment Funds	50,000,000.00	49,999,019.00	50,000,000.00	27.94	1	1	0.263	0.267
Investments	178,930,936.26	178,906,024.15	178,925,552.89	100.00%	313	146	0.258	0.262
Cash								
Passbook/Checking (not included in yield calculations)	1,101,303.16	1,101,303.16	1,101,303.16		1	1	0.000	0.000
Total Cash and Investments	180,032,239.42	180,007,327.31	180,026,856.05		313	146	0.258	0.262

Total Earnings	January 23 Month Ending	Fiscal Year To Date
Current Year	30,842.78	233,083.79
Average Daily Balance	200,413,677.77	161,283,819.70
Effective Rate of Return	0.24%	0.25%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2015. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 180,026,856.05
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (94,166.47)
Total	\$ 179,932,689.58

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
January 23, 2015

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			17,042,047.48	17,042,047.48	17,042,047.48	0.001	0.001	1	
Subtotal and Average			19,778,180.99		17,042,047.48	17,042,047.48	17,042,047.48		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JPS6	835	GEN ELEC CAP CRP		09/29/2014	6,000,000.00	5,999,100.00	5,999,120.00	0.160	0.162	33	02/26/2015
Subtotal and Average			5,998,826.67		6,000,000.00	5,999,100.00	5,999,120.00		0.162	33	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,995,320.00	8,997,379.39	0.400	0.424	454	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,240.00	6,000,000.00	1.000	0.981	928	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 2-9-15)		12/20/2012	9,000,000.00	8,970,570.00	9,008,227.40	1.000	0.966	1,020	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	888,888.78	888,897.67	888,821.95	0.470	0.477	408	03/07/2016
3130A3RM8	850	Fed Home Loan Bank (Callable 6-30-15)		12/30/2014	10,000,000.00	10,021,000.00	10,006,041.67	0.770	0.645	157	12/30/2016
Subtotal and Average			34,900,589.77		34,888,888.78	34,876,027.67	34,900,470.41		0.724	595	
Federal Agency Disc. -Amortizing											
313312FH8	846	Farm Credit Disc Note		12/18/2014	9,000,000.00	8,997,930.00	8,996,360.00	0.140	0.144	104	05/08/2015
313396BF9	832	Freddie Mac		07/01/2014	9,000,000.00	9,000,000.00	8,999,865.00	0.090	0.093	6	01/30/2015
313396CZ4	837	Freddie Mac		10/27/2014	8,000,000.00	7,999,280.00	7,999,360.00	0.060	0.062	48	03/13/2015
313396ED1	847	Freddie Mac		12/18/2014	9,000,000.00	8,998,740.00	8,998,005.00	0.105	0.108	76	04/10/2015
313396FX6	848	Freddie Mac		12/18/2014	9,000,000.00	8,997,660.00	8,996,165.00	0.130	0.134	118	05/22/2015
313396GM9	849	Freddie Mac		12/18/2014	9,000,000.00	8,997,390.00	8,995,545.00	0.135	0.139	132	06/05/2015
313384BV0	839	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,999,910.00	8,999,700.00	0.060	0.062	20	02/13/2015
313384DP1	840	Fed Home Loan Bank		12/04/2014	9,000,000.00	8,998,920.00	8,998,915.00	0.070	0.072	62	03/27/2015
Subtotal and Average			89,727,721.85		71,000,000.00	70,989,830.00	70,983,915.00		0.102	71	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	49,999,019.00	50,000,000.00	0.267	0.267	1	
Subtotal and Average			50,008,358.49		50,000,000.00	49,999,019.00	50,000,000.00		0.267	1	
Total and Average			200,413,677.77		178,930,936.26	178,906,024.15	178,925,552.89		0.262	146	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
January 23, 2015

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2014	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2014	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank		07/01/2014	816,303.16	816,303.16	816,303.16		0.000	1
SYS361	361	CORVEL		07/01/2014	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			200,413,677.77		180,032,239.42	180,007,327.31	180,026,856.05		0.262	146

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of January 24, 2015

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, Irvine, CA 92602
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(01/24/2015 - 01/24/2015)	6 Maturities	0 Payments	68,143,350.64	37.85%	68,143,350.64	68,142,369.64
Aging Interval:	1 - 30 days	(01/25/2015 - 02/23/2015)	2 Maturities	0 Payments	18,000,000.00	10.00%	17,999,565.00	17,999,910.00
Aging Interval:	31 - 60 days	(02/24/2015 - 03/25/2015)	2 Maturities	0 Payments	14,000,000.00	7.78%	13,998,480.00	13,998,380.00
Aging Interval:	61 - 91 days	(03/26/2015 - 04/25/2015)	2 Maturities	0 Payments	18,000,000.00	10.00%	17,996,920.00	17,997,660.00
Aging Interval:	92 - 121 days	(04/26/2015 - 05/25/2015)	2 Maturities	0 Payments	18,000,000.00	9.99%	17,992,525.00	17,995,590.00
Aging Interval:	122 - 152 days	(05/26/2015 - 06/25/2015)	1 Maturities	0 Payments	9,000,000.00	5.00%	8,995,545.00	8,997,390.00
Aging Interval:	153 - 183 days	(06/26/2015 - 07/26/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(07/27/2015 - 10/25/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(10/26/2015 - 01/24/2016)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(01/25/2016 - 01/23/2018)	5 Maturities	0 Payments	34,888,888.78	19.39%	34,900,470.41	34,876,027.67
Aging Interval:	1096 days and after	(01/24/2018 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			20 Investments	0 Payments		100.00	180,026,856.05	180,007,327.31



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The MUFG Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
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- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 3B
Consent Calendar

Second Quarter Financial Newsletter

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Tricia Jakubiak, Treasurer	triciajakubiak@ocfa.org	714.573.6301
Deborah Gunderson, Budget Manager	deborahgunderson@ocfa.org	714.573.6302

Summary

This routine agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the second quarter of FY 2014/15.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of February 19, 2015, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

The Quarterly Financial Newsletter provides information about the General Fund's top five revenue sources as well as expenditures by department and type. Revenues and expenditures for the Capital Improvement Program (CIP) Funds are also included. Revenues and expenditures for the General Fund and the CIP Funds are within budgetary expectations for this reporting period. Any notable items are detailed in the attached newsletter.

Attachment(s)

Second Quarter Financial Newsletter – July 2014 to December 2014



Orange County Fire Authority

Second Quarter Financial Newsletter – July 2014 to December 2014

OVERVIEW

This report covers fiscal activities in the General Fund and CIP Funds through the second quarter of Fiscal Year 2014/15 (FY 2014/15). Budget figures include all budget adjustments authorized by the Board through the end of the second quarter; adjustments proposed in the Mid-Year Review will be presented to the Board for approval in March and are not included in the Budget figures presented in this document.

GENERAL FUND

With 50% of the year completed, General Fund revenues are 54.9% of budget and expenditures are 48.1% as shown below:

General Fund	Budget	YTD Actual	Percent
Revenues	310,517,010	170,617,483	54.9%
Expenditures	326,873,744	157,243,575	48.1%

Top Five Revenues. Beginning this quarter, Budget staff will begin presenting a modified variance analysis of our top five revenues. This analysis will compare the five largest revenue categories received as of the end of the quarter, as compared to estimates of what we expected for those revenues at this point in the fiscal year. The goal of this analysis is to more accurately reflect the difference in actual revenue received as compared to budget, after accounting for seasonal trends or other factors which affect the timing of revenue receipts. Categories in which the variance is exceeded by 10% or \$1 million, will be discussed below the table.

Top Five Revenues	YTD Actual Receipts	Trended YTD Budget Estimate	Variance: Actual to Estimate in Dollars	% Variance
Property Taxes	106,913,735	101,043,829	5,869,906	5%
Cash Contracts	49,125,891	49,073,958	51,933	0%
State Reimbursements	6,769,459	4,500,000	2,269,459	34%
Community Risk Reduction Fees	2,984,186	3,211,510	(227,324)	-8%
CRA Pass-through	1,409,072	369,626	1,039,447	74%
Total	167,202,344	158,198,923	9,003,421	5%

- **Property Taxes.** Property tax revenues were higher than estimates largely due to re-assessments of properties that had received temporary relief under Proposition 8 (1978) for declined property values which had occurred during the Great Recession. This re-captured value results in a large increase in revenues in the current year and creates a larger base for revenues in future years. This category will be included in the Mid-Year Budget Adjustment.
- **State Reimbursements.** Revenues were higher than budget estimates due to greater Assistance-by-Hire (ABH) emergency activity. This category will be included in the Mid-Year Budget adjustment.
- **Community Redevelopment Agency (CRA) Pass-Through.** This category of revenue exceeded budget estimates due to a one-time receipt of revenue from the settlement of a

lawsuit between the City of Irvine and the California Department of Finance, as well as a delayed pass-through from Yorba Linda which was due in FY 2013/14 but received in FY 2014/15. This category will be included in the Mid-Year Budget Adjustment.

Expenditures. Beginning this quarter, Budget staff will begin presenting a modified variance analysis of department expenditures. This analysis will compare the actual expenditures as of the end of the quarter, as compared to estimates of what we expected for expenditures at this point in the fiscal year. The goal of this analysis is to more accurately reflect the difference in expenditures as compared to budget, after accounting for seasonal trends or other factors which affect the timing of expenditures. Categories in which the variance is exceeded by 10% or \$1 million, will be discussed below the table.

Expenditures by Department	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Estimate in Dollars	% Variance
Executive Management	5,858,920	5,867,600	(8,680)	0%
Operations	111,496,898	116,681,240	(5,184,342)	-5%
Community Risk Reduction	6,538,944	6,960,629	(421,685)	-6%
Business Services	22,195,585	22,313,190	(117,606)	-1%
Support Services	11,153,229	12,084,610	(931,381)	-8%
Total	157,243,575	163,907,269	(6,663,694)	-4%

- **Operations.** Actual expenditures for salary and benefits were lower than budget expectations, primarily due to vacancies in the department.

Expenditures by type are outlined below, with exception details following on the next page:

Expenditures by Type	YTD Actual Expenditures	Trended YTD Budget Estimate	Variance: Actual to Estimate in Dollars	% Variance
Salary & Employee Benefits	147,158,377	153,304,740	(6,146,363)	-4%
Services and Supplies	10,031,112	11,644,983	(1,613,871)	-16%
Equipment / Tran Interest Expense	54,086	149,957	(95,871)	-177%
Total	157,243,575	165,099,679	(7,856,104)	-5%

- **Salary & Employee Benefits (S&EB).** Actuals were lower than budget expectations, primarily due to under expended salary and benefits categories attributable to vacancies throughout the OCFA.
- **Services and Supplies (S&S) and Equipment.** S&S and Equipment categories are currently trending below budget estimates. Typically, expenditure activity ramps-up as the year progresses. The above trended YTD budget estimate assumes the ramp-up pattern will continue. Budget staff will work with section managers to refine the timing of their activity and adjust the estimate accordingly.

CIP FUNDS

The following summarizes revenues and expenditures for the Capital Improvement Program funds. Any variances are noted as follows:

Facilities Maintenance & Improvement

Fund 122	Budget	YTD Actual	Percent
Revenue	1,428,628	182,215	12.8%
Expenditures	2,639,776	1,365,639	51.7%

- The revenue and expenditure budgets include rebudgets for the Community Development Block Grant for kitchen and bath improvements to FS 72, 74, 75, and 76 in Santa Ana. A contract was awarded and the project is 95% finished and on schedule to be completed by February 2015. As a reimbursement grant, the revenues will not be received until billed after progress payments have been made to the contractor.
- Other projects completed to date include bath upgrades at FS 207 and FS 18.

Facilities Replacement

Fund 123	Budget	YTD Actual	Percent
Revenue	4,078,668	657,515	16.1%
Expenditures	5,749,437	21,025	0.4%

- Revenues include developer reimbursements for the design and construction of Station 56 (Ortega Valley); this project is currently 45% finished and estimated to be completed in July 2015. Appropriations of \$5.5 million for the US&R Warehouse purchase were rebudgeted to FY 2014/15 as the search for a suitable site continued. Five to six properties have been investigated thus far, however to-date none have met the necessary parameters to warrant purchase.

Communications & Info. Systems Replacement

Fund 124	Budget	YTD Actual	Percent
Revenue	23,109	275,884	1193.8%
Expenditures	9,465,097	1,178,284	12.4%

- Appropriations include \$6.7 million in total rebudgets, of which \$5.5 million is for the remaining components of the Public Safety System Project. This project is approximately 50% complete; \$373K has been expended/encumbered. An RFP for the RMS portion of the Project is being updated/developed with an estimated project completion date of June, 2017.
- Expenditures include the first payment of \$261K to the County of Orange for the 800 MHz CCCs Replacement project and a \$313K payment for the Microsoft Enterprise.

Vehicle Replacement

Fund 133	Budget	YTD Actual	Percent
Revenue	2,074,225	968,116	46.7%
Expenditures	13,116,164	1,574,667	12.0%

- Actual revenue includes the quarterly Cash Contract payments for vehicle replacement/depreciation. The revenue budget also includes rebudgeted funds for the outfitting costs for the Type 1 Engine for Station 56.
- \$5.8 million was rebudgeted from FY 2013/14 to FY 2014/15 for the purchase of emergency and support vehicles, including four 100' Quints. The bid process was completed for these vehicles and approved by the Executive Committee in January 2015.
- The paramedic squad slated to be purchased in FY 2014/15 has been deferred to 2015/16.
- A Purchase order for four Type 1 Engines was recently issued for \$2.8M; which is not yet reflected in the above Actual Expenditure amount.
- Expenditures include payments on the Master Lease agreement for the helicopters, as well as the purchase of 3 step vans and 1 compact truck loader.

SUMMARY

For more information. This summary is based on detailed information from our financial system. If you would like more information or have any questions about the report, please contact Deborah Gunderson, Budget Manager at 714-573-6302, or Tricia Jakubiak, Treasurer at 714-573-6301.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 4A
Discussion Calendar

Capital Projects Fund Policy

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Jim Ruane, Finance Manager	jimruane@ocfa.org	714.573.6304

Summary

This agenda item is submitted to implement a new *Capital Projects Fund Policy* that provides clarification and guidelines for the appropriate use of OCFA's capital projects funds in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

Prior Board/Committee Action(s)

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the following actions:

1. Adopt the new *Capital Projects Fund Policy* effective July 1, 2014.
2. Adopt the revised *Assigned Fund Balance Policy* effective July 1, 2014.
3. Re-name and/or re-define three of the existing capital projects funds (Communications & Information Systems; Vehicle Replacement; and Facilities Replacement) to more fully reflect the types of activities being accounted for in the funds.
4. Authorize a transfer from the Facilities Maintenance & Improvements Fund to the General Fund totaling \$2,710,702 (beginning fund balance as of July 1, 2014) and the subsequent closure of the Facilities Maintenance & Improvements Fund. Increase Fiscal Year 2014/15 budgeted transfers in and out of both funds accordingly.
5. Establish an initial "assignment for the capital improvement program" within the General Fund in the amount of \$2,680,975, to be adjusted annually thereafter in accordance with the revised *Assigned Fund Balance Policy*.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Fiscal Year 2014/15 increase to interfund transfers in the amount of \$2,710,702

Background

See the attached extended background regarding the Capital Projects Fund Policy.

Attachment(s)

1. Capital Projects Fund Policy
2. Revised Assigned Fund Balance Policy (red-line version)

Background

During Fiscal Year 2010/11, OCFA implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intent of Statement No. 54 is to enhance the usefulness of fund balance information, clarify governmental fund type definitions, and promote greater comparability and consistency among municipalities' financial statements. As part of the implementation process, OCFA was required to reclassify three of its funds from "special revenue funds" to "capital projects funds," because they no longer met the criteria to be reported as special revenue funds under Statement No. 54. Since Fiscal Year 2010/11, OCFA has reported a total of four capital projects funds. Implementation of a new *Capital Projects Fund Policy* will provide clearer, more consistent guidelines throughout the organization as to the most appropriate use of capital projects funds, thus improving the accuracy of our financial records and bringing our financial reporting more in line with the intent of Statement No. 54.

Revised Names/Definitions of OCFA's Existing Capital Projects Funds

Statement No. 54 defines the capital projects fund type as "*funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets.*" Typically, capital projects funds should be used for *major* projects, acquisitions, or construction financed with borrowed or contributed resources. The use of capital projects funds is permitted but not required, unless specified by debt covenant, grant contract, law, or regulation. Three of OCFA's capital projects funds continue to meet the definition of this fund type as defined by the GASB. However, their fund names and individual definitions have become outdated. As such, we are recommending the following revisions:

Current		Recommended	
Fund Name	Definition	Fund Name	Definition
Communications & Information Systems	This fund is used to account for the replacement of specialized fire communications equipment and information systems equipment.	Communications and Information Systems	This fund is used to account for the <i>significant acquisition, improvement, or replacement</i> of specialized communications and information technology <i>systems and/or</i> equipment.
Vehicle Replacement	This fund is used to account for the planned replacement of fire apparatus and vehicles.	Fire Apparatus	This fund is used to account for the <i>significant acquisition, improvement, or replacement</i> of fire apparatus, including vehicles, <i>trailers, and helicopters.</i>
Facilities Replacement	This fund is used to account for the replacement of sub-standard fire stations and the construction of new fire stations.	Fire Stations and Facilities	This fund is used to account for the <i>significant acquisition, improvement, replacement, or construction</i> of fire stations and <i>facilities.</i>

New Capital Projects Fund Policy

Key provisions of the new *Capital Projects Fund Policy* are as follows:

- Activities accounted for in the capital project funds must be:
 - “Capital in nature” as described in the individual fund definitions
 - Identifiable as a unique project
 - Significant
 - One-time or infrequent in occurrence

- Activities that are specifically excluded from the capital project funds include:
 - Routine maintenance
 - Utilities and other operating charges
 - Ongoing support to keep facilities, equipment, or fire apparatus in working order
 - Replacement or repair of items housed within a facility or on a fire apparatus that are not considered a permanent part of the facility or fire apparatus itself

Closure of the Facilities Maintenance & Improvements Fund

The Facilities Maintenance & Improvements Fund was created and approved by the Board of Directors in June 1998 as part of the adoption of the Fiscal Year 1998/99 budget. The fund’s primary revenue sources are transfers in from the General Fund and charges to the cash contract cities. It is currently OCFA’s only capital projects fund that identifies “significant maintenance” as an allowable activity.

Currently, the majority of projects and activities accounted for in the Facilities Maintenance & Improvements Fund are for the ongoing support and maintenance of fire stations located in both cash contract and Structural Fire Fund cities. Without clear guidelines, identifying projects that are truly “significant” has proven difficult. However, by implementing the proposed *Capital Projects Fund Policy*, there would no longer be a need to maintain a separate fund for these types of activities. Upon closure of the Facilities Maintenance & Improvements Fund and transfer of its fund balance back to the General Fund, all ongoing station maintenance, regardless of dollar amount, would be consolidated and reported together within a single fund.

Impact to Cash Contract Cities

The 1st Amendment to the Joint Powers Agreement (JPA) includes a provision that cash contract cities reimburse the OCFA annually for maintenance and repairs at their city-owned fire stations in an amount up to \$15,000 per station. These revenues and related expenditures are currently accounted for in the Facilities Maintenance & Improvements Fund. Upon its closure, these revenues and expenditures would be accounted for in the General Fund. However, by utilizing a series of specific account and org numbers within the financial system, staff would still separately track this information for reporting purposes. As a result, there will be no impact to the cash contract city charges.

Revisions to Assigned Fund Balance Policy

OCFA adopted an *Assigned Fund Balance Policy* in 2011 in conjunction with the implementation of Statement No. 54. Upon adoption of the proposed *Capital Projects Fund Policy*, a portion of OCFA’s fund balance that is assigned to the overall capital improvement program may actually be accounted for in the General Fund (i.e., for projects that are capital in nature but do not meet the individual definitions of the three capital projects funds). As such, some minor wording changes have been made to the *Assigned Fund Balance Policy* to account for this possibility.

CAPITAL PROJECTS FUND POLICY

1. PURPOSE

The purpose of the Capital Projects Fund Policy is to define the types of allowable activities that may be accounted for in OCFA's capital projects funds, as defined by Governmental Accounting Standard Board (GASB) Statement No. 54.

2. ADOPTION AND REVIEW

- 2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.

3. POLICY

- 3.1. Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, has established the following definition of a capital projects fund:

A capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities or other capital assets.

- 3.2. OCFA has identified three funds that meet the definition of a capital projects fund for financial reporting purposes, as defined by the GASB. OCFA's capital projects funds include:
 - 3.2.1 *Communications and Information Systems* – This fund is used to account for the significant acquisition, improvement, or replacement of specialized communications and information technology systems and/or equipment.
 - 3.2.2 *Fire Apparatus* – This fund is used to account for the significant acquisition, improvement, or replacement of fire apparatus, including vehicles, trailers, and helicopters.
 - 3.2.3 *Fire Stations and Facilities* – This fund is used to account for the significant acquisition, improvement, replacement, or construction of fire stations and facilities.

- 3.3. Activities accounted for in OCFA's capital projects funds must be "capital in nature," meaning that they pertain to facilities, equipment, or fire apparatus as described in the individual fund definitions.
- 3.3.1 An activity may be "capital in nature" and not necessarily meet all of the criteria to be reported as a capital asset in the government-wide financial statements. These purchases may be instead reported as services and supplies within the capital projects funds.
- 3.3.2 An activity may be "capital in nature" and not necessarily pertain to the three specific capital projects funds established by OCFA (for communications and IT systems, fire apparatus, or fire stations and facilities). As a result, some purchases made through OCFA's "capital improvement program" may instead be reported in the General Fund.
- 3.4. An activity accounted for in one of OCFA's capital projects funds must be identifiable as a **unique project** that is both **significant** and **one-time or infrequent in occurrence**.
- 3.4.1 The Finance Division may assign a unique "org number" to track projects within the Communications and IT Systems fund and the Fire Stations and Facilities fund. Projects within the Fire Apparatus fund may be tracked using unit identification numbers as assigned by the Fleet Services Division.
- 3.4.2 In order for improvements to be considered "significant," they should meet one or more of the following criteria: (1) provide for new or improved functionality of an existing facility, fire apparatus, or equipment item; (2) materially extend the estimated useful life of an existing facility, fire apparatus, or equipment item; (3) be financially significant to the activities of the OCFA as a whole or at the fund level; (4) be acquired or constructed with borrowed or contributed resources. The Finance Division is responsible for making the final determination as to whether or not a project is eligible to be reported in a capital projects fund.
- 3.4.3 Ongoing activities that provide for the routine maintenance of facilities, equipment, or fire apparatus are considered to be operating activities and should not be accounted for in a capital projects fund.
- 3.4.4 Warranty, extended warranty, and vendor support costs associated with the *initial* purchase of equipment may be tracked in the same fund as the equipment purchase itself, as these costs are generally included within the overall purchase price needed to acquire the item and pro-rated over the service period.

- 3.5. Activities that are prohibited from being accounted for in OCFA's capital projects funds include:
 - 3.5.1 Routine maintenance
 - 3.5.2 Utilities and other operating costs
 - 3.5.3 Services of a third party vendor that provide ongoing support to keep facilities, equipment, or fire apparatus in working order
 - 3.5.4 Replacement or repair of household items or equipment housed within a facility (i.e., kitchen supplies, furniture, gym equipment, etc.) that is not considered a permanent part of the facility itself
 - 3.5.5 Replacement or repair of portable or un-installed equipment housed on fire apparatus (i.e., defibrillators, breathing apparatus, etc.) that is not considered a permanent part of the fire apparatus itself

ASSIGNED FUND BALANCE POLICY

1. PURPOSE

The purpose of the Assigned Fund Balance Policy is to establish the authority by which OCFA may set aside cumulative resources in fund balance for an intended future use.

2. ADOPTION AND REVIEW

- 2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the OCFA. Staff shall revise the policy upon approval by the Board of Directors.
- 2.2. Each year at the time the audited financial statements are approved, the Budget and Finance Committee shall review the calculations used to determine the amounts assigned to workers' compensation and the capital improvement program, and shall confirm the calculations' consistency with the Assigned Fund Balance Policy.

3. POLICY

- 3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance amounts intended to be used by a government for a specific purpose should be presented in the financial statements as "assigned" fund balance. Assigned balance includes resources that are set aside for an intended use and represents current intentions (subject to change) as to how the resources will be expended.
- 3.2. The Board of Directors has the authority to assign fund balance. The Board of Directors shall delegate its authority to assign amounts for *workers' compensation* and the *capital improvement program* to the Assistant Chief of Business Services, or her designee.
- 3.3. The Assistant Chief of Business Services, or her designee, shall assign and un-assign fund balance for the specific purposes of *workers' compensation* and the *capital improvement program*, in accordance with the guidelines described in this policy. The authority to assign and un-assign fund balance for any other specific purposes shall be retained by the Board of Directors.

- 3.4. The assignment for *workers' compensation* will reflect the cumulative difference between actual workers' compensation expenditures incurred (cash-flow basis) and budgeted costs, which are based on an annual actuarial valuation prepared by an external actuary and a confidence level set by the Board of Directors.
- 3.4.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.
- 3.5. The assignment for the *capital improvement program* will reflect cumulative amounts transferred from the General Fund to the OCFA's capital [improvement projects](#) funds in accordance with the *Financial Stability Budget Policy*, net of actual cumulative project expenditures and other revenue sources accounted for in those funds. [The assignment for the capital improvement program may also include net resources accumulated within the General Fund itself in order to fund purchases and projects that are capital in nature but do not necessarily meet the criteria to be reported in one of OCFA's three capital projects funds.](#)
- 3.5.1 The amount of the assignment will be calculated annually in conjunction with the fiscal year-end closing process.
- 3.5.2 The amount of the assignment will not exceed projects currently identified in the OCFA's five-year capital improvement program, including projects that have been identified as deferred pending improved financial conditions.
- 3.6. Assigned funds must be expended in conjunction with the spending authority provided by the annual budget and any subsequent amendments.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 4B
Discussion Calendar

Purchasing Regulations for Change Orders

Contact(s) for Further Information

Lori Zeller, Assistant Chief lorizeller@ocfa.org 714.573.6020
Business Services Department

Debbie Casper, Purchasing & Materials Manager debbiecasper@ocfa.org 714.573.6641

Summary

This item is submitted for approval of a modification to the Roles, Responsibilities, Authorities Matrix relating to change orders.

Prior Board/Committee Action(s)

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors approve the submitted changes to the Roles/Responsibilities/Authorities Matrix.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

Following completion of an internal control review of Purchasing, OCFA's external auditors (Lance, Soll & Lunghard, LLP), observed that OCFA's purchasing procedures included areas that were subject to interpretation and could benefit from more specificity. An example related to the Roles/Responsibilities/Authorities Matrix, which states that Authority Management may approve change orders up to 15%, not to exceed a total value of \$50,000.

Prior to the internal control review, management interpreted this provision as applicable exclusively to contracts that exceeded original dollar thresholds delegated to Authority Management. Change orders that exceeded 15% of the contract value, but which remained within the dollar limits delegated to management, were processed with management approval only.

Example: A \$1,000 change order is requested to a blanket order contract that was originally issued for \$4,000. The original \$4,000 contract had not required Executive Committee approval when established since the limit was within the

amounts delegated to Authority Management. The proposed change order represents a 25% increase; however, the new increased value of \$5,000 continues to remain within the amounts delegated to Authority Management. In this example, even though the change order exceeded 15% of the contract value, management would have authorized the change since the new increased value remains within delegated limits.

This past practice was not specifically addressed in the Roles/Responsibilities/Authorities Matrix. As a result of LSL's internal control review, which illustrated this inconsistency, management has since altered its practice to comply with the precise wording in the Matrix. Beginning in November 2013, all change orders exceeding 15% of the original contract value have been brought forward for approval by the Executive Committee, regardless of the dollar value.

Since November 2013, 35 contracts or blanket orders have been submitted to the Executive Committee for approval of increases resulting in revised contract values that remained under \$100,000. Of the 35 contracts, the revised values *after processing the changes* were as follows:

- 5 contracts were less than \$5,000 after the increase
- 4 contracts ranged from \$5,001 - \$10,000 after the increase
- 4 contracts ranged from \$10,001 - \$25,000 after the increase
- 14 contracts ranged from \$25,001 - \$50,000 after the increase
- 3 contracts ranged from \$50,001 - \$75,000 after the increase
- 5 contracts ranged from \$75,001 - \$95,000 after the increase

The addition of these change order transactions to the Executive Committee agendas has added several staff reports to the agenda packets, potentially detracting from more important Authority business. Furthermore, the lengthier agenda packets require more time for Directors' review, more time for staff to prepare the agenda materials, and more time to accomplish relatively minor changes that may be needed to carry-out Authority activities.

Staff is requesting modification of the Roles/Responsibilities/Authorities Matrix to enable management to approve and process change orders for contracts that do not exceed value thresholds which would otherwise trigger Executive Committee approval. The proposed changes are shown in tracking to the enclosed Matrix.

Attachment(s)

Roles/Responsibilities/Authorities Matrix

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

All authority rests with the Board of Directors unless it is delegated by statute or board action. When delegated, these authorities are further defined by contracts, resolutions, policies, or other board actions. The following chart defines OCFA's levels of authority. The Board of Directors has the authority to change these delegations within the parameters of legal and contractual restrictions.

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Levels of Service	Develop and implement programs to provide the identified "Levels of Service."		Approve temporary changes in "Levels of Service."	Approve "Levels of Service" for the Authority.
Resource Deployment	Establish policy/deployment that maintains the approved "Levels of Service."			
Standard Operating Procedures (SOPs) and General Orders (GOs)	Develop and implement SOPs and GOs consistent with Board policies.			
Budget Adoption	Develop the budget.		Budget & Finance Committee - Review the budget; make recommendations.	Approve the budget prior to June 30 each year (JPA Agreement, Article IV.1)
Budget Execution	Authorize expenditures within approved budget appropriations (JPA Agreement, Article IV.2)			
Budget: Intra- and inter-fund transfer; increases and decreases to appropriation.	Approve intra-fund transfers within adopted budgets			Approve inter-fund transfers between budgets; Approve increases and decreases to appropriations.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Fire Station 41, Air Operations Maintenance Facility - Leases	Negotiate, approve and execute leases and/or lease amendments for Hangers Nos. 1, 2, 3, and 4			
Fund Balance - Assigned	Assign amounts for workers' compensation and the capital improvement program within requirements of the <i>Assigned Fund Balance Policy</i>		Budget & Finance Committee – Review calculations used to determine assignments for workers' compensation and the capital improvement program for consistency with <i>Assigned Fund Balance Policy</i>	Assign and un-assign fund balance for any specific purposes other than workers' compensation and the capital improvement program, within the guidelines of GASB Statement No. 54
Fund Balance – Committed				Commit and un-commit fund balance via minutes action, within the guidelines of GASB Statement No. 54
Contingency Planning and funding	Develop plan; administer budget in a manner consistent with plan and policies.		Budget & Finance Committee - Review contingencies and spending for compliance with plan and policies.	Establish plan and policies. Transfer of Appropriation for Contingencies requires prior approval of the Chair or the Vice Chair, in the absence of the Chair, and must be reported to the Board immediately in writing.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Debt obligation	Develop and recommend financing plans.		Budget & Finance Committee – Review of recommended financing plans.	Approve all debt obligations. (Note: long-term bonded indebtedness requires approval by 2/3 rd vote of the members.)
Purchase of commodities and fixed assets	Approve purchase of commodities and fixed assets for total contract amount less than \$100,000.		Approve purchase of commodities and fixed assets for total contract amount over \$100,000.	
Emergency Purchases/Contracts	Approve emergency purchases up to \$100,000.		Purchases in excess of \$100,000 require prior approval of Chair or Vice Chair and must be reported at the next Executive Committee meeting.	
Purchasing – Professional Service Contracts (including consulting contracts)	Approve all service contracts less than \$100,000 for life of contract duration.		Approve all service contracts over \$100,000 for life of contract duration. Contract extensions beyond the initial contract term will require Executive Committee approval prior to contract extension.	
Sole Source Contracts	Approve any sole source contracts up to \$25,000.		Approve any sole source contracts over \$25,000.	

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Public Works	Approve all public works contracts in amounts up to the statutory limits authorized by Section 22032 of the Public Contract Code.			Approve all public works contracts in amounts at or above the statutory limits authorized by Section 22032 of the Public Contract Code.
Change Orders/ Modifications (excludes Public Works contracts in excess of the formal limit set forth in Section 22032 of the Public Contract Code)	<u>For contracts within the limits delegated herein to Authority Management, approve change orders in any amount so long as the revised amount remains within the delegated limits.</u> <u>For contracts originally approved by the Executive Committee or Board of Directors, Approve change orders within the original scope of work, up to 15% but not to exceed a total value of \$50,000.</u>		Approve change order/modifications <u>to any contracts with original or revised values that exceed those amounts delegated herein to Authority Management, not within the original scope of work, or over 15%, or exceeding a total value of \$50,000.</u>	
Change Orders/ Modifications for Public Works contracts in excess of the formal limit set forth in Section 22032 of the Public Contract Code	Approve change order/modifications up to 10%, but not to exceed a total value of \$50,000.		Approve change order/modifications over 10%, or exceeding a total value of \$50,000.	

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Investment Practices	Provide financial data to Budget & Finance Committee, Executive Committee and Board of Directors. Develop draft policy.		Budget & Finance Committee - Review Treasury/Investment actions to insure compliance with policy. Executive Committee – review monthly reports.	Adopt investment and Treasury policies.
Setting of salaries/benefits and other terms and conditions of employment	Identify issues, recommend negotiations approach; negotiate with labor organizations as approved by the Board of Directors.		Review management recommendations; make recommendations to the Board of Directors.	Provide direction to chief negotiator on negotiations; adopt resulting MOUs and changes in the PSR.
Grievances	Administer procedures pursuant to MOU and PSR provisions.			
Disciplinary Actions	Implement disciplinary actions within legal and MOU requirements.			
Hire/Terminate	Hire/terminate Authority staff.		Make recommendations to the Board of Directors on General Counsel legal services contract and Fire Chief employment contract, and compensation of General Counsel and the Fire Chief.	Hire/terminate Fire Chief and General Counsel. Approve service contract for General Counsel. Approve employment contract for Fire Chief.
Appointments				Appointment of clerk, auditor, and treasurer (JPA Agreement Articles II.9 and II.13)

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Classification and Salary Ranges	Administer classification system within existing classes and budget.		Adopt and approve new or modified classes and corresponding salary ranges.	
Settlement of Employee Complaints and Grievances	Approve settlements up to \$10,000 within existing PSR parameters.		Approve settlements up to \$50,000.	Approve settlements over \$50,000.
File Legal action				Authorize filing of legal action.
Respond to legal action				Authorize response to legal action.
Settlement of Claims and Litigation	Approve settlements of claims and litigation up to \$50,000. in accordance with Board of Directors Rules of Procedure.	Approve settlements of claims and litigation over \$50,000 not to exceed \$250,000. in accordance with Board of Directors Rules of Procedure.		Approve settlements of claims and litigation over \$250,000.
Level of risk/coverage/exposure	Recommend risk management policies; administer risk management program within established Board of Directors and legal requirements.			Establish policies.

**ORANGE COUNTY FIRE AUTHORITY
Roles/Responsibilities/Authorities**

	Authority Management	Claims Settlement Committee	Executive Committee	Board of Directors
Write-Off for Uncollectible Accounts	Approve write-off of uncollectible accounts up to \$15,000.		Approve write-off of uncollectible accounts over \$15,000. Budget and Finance Committee review annual report of uncollectibles and make a recommendation to Executive Committee for final decision.	
Accept Real Property Interests	Accept interest in real property if the Board of Directors or Executive Committee has previously approved.			Approve Secured Fire Protection Agreements and Purchase Agreements for the acquisition of real property.
Utility licenses and easements	Execute licenses and easements for utilities necessary to implement construction projects approved by the Board or Executive Committee		Approve licenses and easements for utilities where no prior approval of construction projects has occurred	
Accept Grants	Accept all grants except: (1) when the grantor requires approval by the governing body, or; (2) when an adjustment is immediately needed to appropriations to expend the grant, or; (3) when a contract award is needed, requiring approval by the Executive Committee or Board.		Accept all grants in which the grantor requires approval by the governing body.	



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 4C
Discussion Calendar

Air Operations Program Enhancements:
Staffing, Schedule and Safety Management System

Contact(s) for Further Information

Dave Thomas, Assistant Chief davethomas@ocfa.org 714.573.6012
Operations Department

David Steffen, Division Chief davidsteffen@ocfa.org 714.527.0537
Division 7

Summary

This item is submitted to authorize the Fire Chief or his designee to execute program enhancements to the OCFA Air Operations Helicopter Program.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of February 26, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors authorize the following actions:

	<u>Fiscal Impact</u>
1. Support the Fire Chief's recommendation to modify the current Helicopter work schedule to a 24/7, three platoon schedule.	(\$6,054) annual savings
2. Direct staff to return to the Board of Directors for approval of a contract to construct sleeping accommodations in the existing hangar facility.	\$100,000 one-time cost
3. Approve a sole source contract with Argus-Prism for Safety Management Systems software, training and maintenance for a three-year term.	\$28,000 three-year cost
4. Authorize the addition of one Firefighter/Paramedic to the Air Operations Helicopter Program during weekends only, for a six-month trial period.	\$65,652 six-month trial
5. Direct staff to include these changes in the FY 2014/15 mid-year budget adjustments that will be submitted to the Board of Directors in March.	

Total Request (facility, software, FF/PM trial) **\$187,598**

Impact to Cities/County

This agreement will positively impact services provided to our members.

Fiscal Impact

See above.

Background

See attached extended background.

Attachment(s)

None

Background

Schedule

The OCFA Air Operations Helicopter Program (Air Ops) has traditionally encompassed a core mission revolving around the operation of a single-mission helicopter exclusive to water dropping, reconnaissance and crew transport. Upon the purchase of additional agency-owned helicopters, the program was expanded to a dual-helicopter model and service was expanded to include remote rescue and Basic Life Support (BLS) level care of rescued victims. In 2008, a Night Vision Goggle (NVG) adaptation and training program was implemented for use in both firefighting and rescue operations, fulfilling a unique and effective need for which no other aviation resource within the county could provide. The addition of NVG also allowed for expansion of operational hours, which was traditionally restricted to daylight hours. OCFA Air Operations has a long history of excellent safety and performance and is appropriately equipped and staffed to meet the core mission of wildland firefighting and remote rescue operations. It is recommended that Air Operations implement a 24-hour scheduling model seven days per week. Helicopter available hours will more than double, increasing from 80 to 168 per week. It was illustrated in the R. Dixon Speas report in 2009, that a 24-hour program will capture 25% of missed calls for service that currently fall outside of the 10-hour duty day. Although it seems counterintuitive, there will be a net savings of \$6,054 associated with the implementation of 24-hour scheduling. The savings is realized due to the elimination of supplemental assignment pay that the Fire Captain currently earns while assigned to the 10-hour schedule, which would be eliminated when assigned to a 24 hour shift. The 24-hour shift model would also eliminate overtime costs incurred while conducting NVG training.

Facility – Station 41 (Fullerton)

The OCFA recently purchased and renovated a \$6 million hangar, crew quarters, and maintenance facility located at Fullerton Airport. This facility is equipped with amenities comparable to other fire stations including a kitchen, bathrooms, showers, and locker rooms. Transitioning Air Ops staff to a 24-hour shift schedule would only require modification of the facility to include sleeping accommodations. Property Management staff has estimated the cost of needed improvements to be approximately \$100,000.

Safety Management System

The Argus-Prism Safety Management System (SMS) is a web-based computer program that provides an organized and systematic method of managing risk in the aviation work environment. It applies modern management techniques to the process of safety decision making. A properly implemented SMS allows an organization to identify risk and evaluate specific mitigation measures that could be employed. When an identified risk cannot be effectively mitigated; the SMS program documents the decision-making process. The SMS also reports, in real time via online notification tools, what decisions are made and if an alternate means of accomplishing the task was utilized. Due to state operating agreement requirements, Argus-Prism is the only vendor that provides a helicopter specific SMS that will share data with other public agencies performing wildland firefighting. Currently the U.S. Forest Service (USFS), Los Angeles County, and Los Angeles City Fire Departments Air Operations Programs are using the Argus-Prism Safety Management System.

The USFS has required that all of its aviation services contractors and cooperators employ an SMS by 2015. In addition, the Federal Aviation Administration (FAA) and International Civil Aviation Organization (ICAO) have begun the implementation of regulations requiring operators to establish a system to manage risk. To comply with these regulations and improve our ability to manage risk associated with the Air Ops, staff is recommending approval of a sole source contract to purchase the Argus-Prism SMS software for a total three-year cost of \$28,000.

Crew Member

OCFA helicopters are currently staffed with a Pilot and a Fire Captain/Crew Chief. When dispatched to a Search and Rescue incident, the helicopter must first pick-up qualified rescuers from one of four technical rescue truck companies stationed within OCFA jurisdiction before proceeding to the victim's location. Staffing one OCFA helicopter with a Firefighter/Paramedic (FF/PM) should improve patient care, reduce response times and increase safety by eliminating the need to land and pick-up a part-time rescuer and/or medic. By providing Advanced Life Support (ALS) capability to the helicopter, the OCFA would provide a better depth of service than it presently does and be more versatile in its response coverage. Therefore, staff is recommending approval to add one FF/PM to the flight crew during weekends only, for a six-month trial period beginning March 1 and ending August 31, 2015. The cost of this six-month trial is \$65,652.

Depending upon available funding in the FY 2015/16 budget, as well as results from the trial period, staff anticipates returning at a later date to request approval to make the FF/PM position permanent and full-time. The addition of a full-time FF/PM post-position (3 employees to cover 3 shifts) would cost \$653,328.

PRISM Subscription and License Agreement

This Subscription and License Agreement ("Agreement") is made between Professional Resources In System Management, LLC ("PRISM") an Ohio limited liability company located at 4240 Airport Road, Suite 300, Cincinnati, Ohio 45226, and Orange County Fire Authority ("Client"), a public agency located at 1 Fire Authority Road, Irvine, California 92602, on February 19, 2015 ("Effective Date").

WHEREAS, PRISM provides Safety Management System support services and has developed a web-based software application ("ARMOR"), and Client desires PRISM to provide such services and software for its use.

NOW, THEREFORE, in consideration of the mutual promises herein, the parties hereto agree as follows:

- A. **Professional Subscription and License.** PRISM agrees to sell, and Client agrees to purchase the PRISM Services ("Services") described below and subject to the limitations and provisions more fully described in the attached *Standard Terms and Conditions*.

Services:

PRISM Professional Subscription: The subscription is a set of tools to support Client's Safety Management System. It includes a login and password to access the PRISM website, including ARMOR at <http://PRISM.aviationresearch.com> and <https://PRISM.aviationresearch.com>.

- B. **Fees and Term.** Client agrees to pay the fees listed below (including any applicable taxes). PRISM will bill charges to the Client address first listed above.

Fees:

Start Up Package \$4,225.00 (SMS Manual, ERP Manual and seat in SMS Workshop)
PRISM Professional Subscription: \$6,850.00 (for 10 aircraft and under) + \$120.00 each aircraft over 10 per year

Grant of License: Included in PRISM Professional Subscription

Initial Term: One Year.

- C. **Renewal and Termination.** After the initial term, the Agreement shall automatically renew for additional one (1) year periods on the anniversary date of the Effective Date, unless terminated by either PRISM or Client in writing at any time after the initial term. Client may exercise its right to terminate following the initial term by notifying PRISM by pre-paid, first-class mail to the address set forth above, or e-mail to PRISM@aviationresearch.com, receipt of which must be confirmed by email reply, of the decision to terminate the Agreement. PRISM may exercise its right to terminate following the initial term by notifying Client by pre-paid, first-class mail to the address set forth above, or email to debbiecasper@ocfa.org, receipt of which must be confirmed by email reply, of the decision to terminate the Agreement. Termination by either party shall be effective thirty (30) days following receipt by the non-terminating party of written notice of the terminating party's intent to terminate. Notice shall be deemed communicated forty-eight (48) hours from the time of mailing if mailed as provided in this section. Terminations during a renewal term are not due a refund for the unused portion of the service. PRISM reserves the right to amend the fees after the initial term of the Agreement upon reasonable notice to Client. Renewal services will be billed on an annual basis, consistent with the anniversary date of this Agreement.

IN WITNESS WHEREOF, the parties, intending to be legally bound by this Agreement have read and fully reviewed this Agreement and have caused this Agreement to be executed by their authorized representatives as of the dates indicated below.

PRISM:
Professional Resources In System Management, LLC

Client:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

STANDARD TERMS AND CONDITIONS

1. Changes to Agreement. This Agreement constitutes the full and complete understanding and agreement of the parties relating to the subject matter hereof and supersedes all prior understandings and agreements relating to such subject matter. Any waiver, modification, or amendment of any provision of this Agreement shall be effective only if in writing and signed by the parties.

2. Access to PRISM Website and ARMOR.

PRISM reserves the right to change or revoke Client’s user name and password used to access the PRISM website, including ARMOR, as it deems necessary with just cause. Client is responsible for maintaining the confidentiality of password, and for limiting the use of the access only to Client employees or authorized representatives.

3. ARMOR Updates. Updates will be implemented in the PRISM web-based solution including ARMOR from time to time, as changes to the software are completed.

4. Grant of License. Subject to the terms and conditions of the Agreement, PRISM grants to Client a non-exclusive, non-transferable license to use the ARMOR software for the purpose of managing and supporting Client’s Safety Management System. Client may use ARMOR in executable format for its own use. Client may not, however, transfer or sublicense ARMOR to any third party, in whole or in part, in any form, whether modified or unmodified.

5. Termination Certificate. Upon termination of this Agreement, Client’s License to use ARMOR is also terminated. Client will immediately discontinue use of the ARMOR software. Upon request by Client, made within 30 days after the effective date of termination of this Agreement, PRISM will make available to Client for download, at no additional cost to Client, a file of Client’s data in comma separated value (.csv) format. After such 30-day period, PRISM shall have no obligation to maintain or provide any of Client’s data and shall thereafter, unless legally prohibited, delete all of Client’s data in PRISM’s systems or otherwise in our possession or under our control.

6. Proprietary Rights. Client recognizes that PRISM regards ARMOR as its proprietary information and as confidential trade secrets of great value. Subject to the limited rights expressly granted hereunder, PRISM reserves all rights, title and interest in and to the PRISM website and ARMOR, including all related intellectual property rights. No rights are granted to Client hereunder other than as expressly set forth herein. Client agrees not to provide or to otherwise make available in any form, ARMOR or any portion thereof, except as may be required by

law, to any person other than employees of Client without the prior written consent of PRISM. Client further agrees to treat ARMOR with at least the same degree of care with which Client treats its own confidential information and in no event with less care than is reasonably required to protect the confidentiality of ARMOR.

7. WARRANTY DISCLAIMER. PRISM LICENSES, AND CLIENT ACCEPTS ARMOR "AS IS." PRISM PROVIDES NO WARRANTIES AS TO THE FUNCTION OR USE OF ARMOR, WHETHER EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE. THE ENTIRE RISK AS TO THE QUALITY AND PERFORMANCE OF ARMOR IS WITH CLIENT. PRISM DOES NOT WARRANT THAT THE FUNCTIONS CONTAINED IN ARMOR WILL MEET CLIENT’S REQUIREMENTS OR THAT THE OPERATION OF ARMOR WILL BE UNINTERRUPTED OR ERROR FREE.

8. Liability Limitation. PRISM shall not be liable to Client or anyone claiming by right of Client for any special, punitive, exemplary, incidental, indirect or consequential damages whatsoever, including lost profits or loss of business arising out of, resulting from, or in any way related to the services under this Agreement.

9. PRISM Responsibilities. PRISM shall be responsible for the following in regards to the PRISM website and ARMOR:
a) provide basic support of the website and ARMOR, provided to CLIENT at no additional charge, including fixing any software bugs, b) use commercially reasonable efforts to make the website and ARMOR available 24 hours a day, 7 days a week, except for: (i) planned downtime (of which PRISM shall give at least 8 hours notice via email to users) or (ii) any unavailability caused by circumstances beyond PRISM’s reasonable control, including without limitation, acts of God, war, or terrorism; changes in law or other governmental action; acts of third parties; or strikes or other such labor difficulties, internet service provider failures or delays, or denial of service attacks, and (iii) provide the website and ARMOR only in accordance with applicable laws and government regulations.

10. PRISM Protection of Client Data. PRISM shall maintain appropriate administrative, physical, and technical safeguards for protection of the security, confidentiality and integrity of Client data. PRISM shall not (a) modify CLIENT data, (b) disclose Client data except as compelled by law or as expressly permitted in writing by CLIENT, (c) access CLIENT data except to provide the services in this Agreement and system access and prevent or address service or technical problems, or at CLIENT’s request in

connection with customer support matters, or (d) acquire any rights, title or interest from Client in or to Client's data.

11. Indemnification.

A. Client shall indemnify, defend, and hold harmless PRISM and its agents, employees, subsidiaries, and other affiliates (collectively, "Affiliates") from and against any and all costs, liabilities, damages, losses, or expenses (including amounts paid in settlement and reasonable fees of attorneys and other professionals) incurred by PRISM as a result of any claim, demand, or action against PRISM asserted by a third party arising out of or in connection with (a) Client's business, including without limitation (i) the operation of aircraft; (ii) any harm to Client's passengers or customers; (iii) Client's reliance on any PRISM Materials; (b) Client's breach of any covenants, warranties, or representations made herein; (c) Client's violation of any applicable federal, state, and local laws and regulations; or (d) PRISM's reliance on or use of any Client information whether publicly available or provided by Client (or its personnel, whether or not authorized) to PRISM in connection with the services provides by this Agreement.

B. PRISM shall indemnify, defend, and hold harmless Client and its officers and employees, from and against any and all actions, suits, proceedings, claims, demands, losses, costs, and expenses, including legal costs and attorneys' fees, for injury to or death of person or persons, for damage to property, including property owned by Client, and for errors and omissions committed by PRISM, its agents, subsidiaries, and other affiliates, arising out of or related to PRISM's performance under this Agreement, except for such loss as may be caused by Client's own negligence or that of its officers or employees.

12. Severability. If any provision of this Agreement other than those provisions relating to the assignment of rights to Client is found by a court of competent jurisdiction to be unenforceable for any reason, the remainder of this Agreement shall continue in full force and effect

13. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of California and the parties expressly agree that any action arising out of this Agreement shall be brought in the Superior Court of the County of Orange, State of California, or any other appropriate court in such county, and PRISM covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

14. Headings. Headings used in this Agreement are provided for convenience of reference only and are not intended to limit or affect the scope or meaning of the provisions they introduce.

15. Counterparts. This Agreement may be executed in any number of identical counterparts, all of which evidence only one agreement.



Orange County Fire Authority
AGENDA STAFF REPORT

Budget and Finance Committee Meeting
February 11, 2015

Agenda Item No. 4D
Discussion Calendar

Independent Accountant's Work Papers and Notes

Contact(s) for Further Information

Lori Zeller, Assistant Chief Business Services Department	lorizeller@ocfa.org	714.573.6020
Jim Ruane, Finance Manager/Auditor	jimruane@ocfa.org	714.573.6304

Summary

This item is submitted for discussion of a public document review request relating to the work papers and notes prepared by OCFA's Independent Accountant, Lance Soll & Lunghard, LLP, (LSL) while performing a review of the OCFA's purchasing practices in 2013.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Receive and file the report.

Impact to Cities/County

Not Applicable.

Fiscal Impact

Not Applicable.

Background

As part of OCFA's ongoing internal control review program, Lance Soll & Lunghard, LLP, completed an internal control review of OCFA's policies, procedures, and practices relating to purchasing in September 2013. LSL's final report was submitted to the Budget and Finance Committee (B&FC) and Executive Committee for review in October 2013 (Attachment 1).

While conducting the internal control review, LSL made the independent decision to expand its procedures to encompass a review of specific blanket orders that Mission Viejo resident Stephen Wontrobski had raised concerns about during public comments at OCFA meetings and through correspondence. The expanded review also covered many additional blanket purchase orders issued from January 2011 forward. The results from the expanded review were included with the results of the primary purchasing review in the October 2013 transmittal to the B&FC.

In January 2014, OCFA received a letter from Mr. Wontrobski seeking review of "of all files and any and all documents related to the LSL 2013 Audit of the OCFA Procurement Department" (Attachment 2). OCFA sent responses to Mr. Wontrobski on February 10 and February 27, 2014 (Attachment 3). OCFA's February 27, 2014, letter advised Mr. Wontrobski that responsive documents had been gathered and were available for his review.

Included in the responsive documents made available to Mr. Wontrobski for review was a February 26, 2014 letter from LSL citing the firm's policy not to release accounting work papers and notes (Attachment 4), as well as citing references to professional auditing standards. Additionally, LSL's response summarized the firm's understanding that the language relating to ownership of documents in the Professional Services Agreement (PSA) (Attachment 5) between OCFA and LSL "does not specify nor intend to specify work papers."

Section 7.3 (page 6) of the PSA states:

"All drawings, specifications, reports, records, documents and other materials prepared by Firm in the performance of this Agreement shall be the property of OCFA and shall be delivered to OCFA upon request of the Contract Officer or upon the termination of this Agreement, and Firm shall have no claim for further employment or additional compensation as a result of the exercise by OCFA of its full rights or ownership of the documents and materials hereunder."

LSL's 2013 audit engagement letter with OCFA (Attachment 6 – page 7) states:

"The audit documentation for this engagement is the property of Lance, Soll, and Lunghard CPAs LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to California Society of Certified Public Accountants or American Institute of Certified Public Accountants or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lance, Soll, and Lunghard CPAs LLP personnel."

Included in LSL's February 26, 2014 response letter, LSL also stated:

"While we respectfully decline to provide our work papers, we would be willing to schedule a meeting with Mr. Wontrobski to answer any questions he may have about our engagement with the OCFA and hear any suggestions he may have to approach our FY 13-14 plan. It is our opinion that we share a common goal to continue to improve the OCFA organization and we welcome this meeting as an exchange of information in a constructive environment to benefit the OCFA."

Although LSL extended the offer, we were advised by LSL that Mr. Wontrobski did not follow-up to schedule a meeting.

At our January 2015 B&FC and Board of Directors meetings, public comments were provided by Mr. Wontrobski regarding concerns that his records request had been denied. He requested that the matter be brought forward to the B&FC for discussion. Staff agrees that a discussion with the B&FC is warranted.

Attachment(s)

1. October 9, 2013, Staff Report – Internal Control Review on Purchasing/Procurement
2. Letter dated January 27, 2014, from Stephen M. Wontrobski to OCFA
3. Letters dated February 10 and February 27, 2014, from OCFA to Mr. Wontrobski
4. Letter dated February 26, 2014, from Lance Soll & Lunghard, LLP to OCFA
5. Professional Services Agreement between OCFA and LSL
6. Audit Engagement Letter dated July 2, 2013

DISCUSSION CALENDAR - AGENDA ITEM NO. 4
BUDGET AND FINANCE COMMITTEE MEETING
October 9, 2013

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Internal Control Review on Purchasing/Procurement**

Summary:

This agenda item is submitted to present the independent accountants' Agreed-Upon Procedures report of OCFA's internal control review on Purchasing/Procurement.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of October 24, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee direct staff to implement the Auditor's recommendations as stated under OCFA management responses in the report.

Background:

At the March 14, 2012, Budget and Finance Committee meeting, the Committee approved the selection of Lance, Soll & Lunghard, LLP (LSL) as the auditing firm to complete a comprehensive review of OCFA's financial internal controls over the next three years. At the February 13, 2013, and March 13, 2013, Budget and Finance Committee meetings, the Committee approved the scope of work for the first year of the comprehensive internal control review. The scope included the following areas:

1. Revenue Recognition - Fire Prevention Fees
2. Procurement/Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities, and Fuel Usage
3. Purchasing/Procurement Review

Review of Internal Controls on Purchasing/Procurement:

LSL has completed their test work and compiled a report of the observations noted during their review. Included in the report are recommendations by the auditors to improve the process based on their observations. LSL submitted the report to OCFA management for inclusion of the appropriate responses to the recommendations. A copy of the report, along with OCFA's management responses, is included as an attachment to this staff report. All corrective actions stated in the Management's Responses of the Independent Auditors' Report of Internal Controls over Purchasing/Procurement are in the process of being implemented by staff.

Historically, internal control review reports are presented to the Budget and Finance committee (that also serves as the OCFA audit committee) for discussion and approval. Due to the recent concerns raised by members of the public and the media regarding public sector procurement

practices, staff felt it was important to also present this report to the Executive Committee which is responsible for approving all purchases and contracts (except public works) that exceed specific dollar thresholds as defined in the OCFA Roles/Responsibilities/Authorities matrix.

Impact to Cities/County:

Not applicable

Fiscal Impact:

None

Independent Auditor (Lance, Soll & Lunghard, LLP) Contact for Further Information:

Bryan Gruber, CPA

bryan.gruber@lslcpas.com

(714) 672-0022

Staff Contact for Further Information:

Jim Ruane, Finance Manager/Auditor

Finance Division

jimruane@ocfa.org

(714) 573-6304

Attachment:

Agreed-Upon Procedures Review on Purchasing/Procurement with OCFA responses



ORANGE COUNTY FIRE AUTHORITY

**Independent Accountant's Report on Applying
Agreed-Upon Procedures on
Purchasing/Procurement**

September 17, 2013

Lance Soll & Lunghard, LLP
Vilmur, Peeler & Boucher

Orange County
Silicon Valley
Temecula Valley
Los Angeles County

www.LSLCPAs.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Irvine, California

We have performed the procedures enumerated in the sections below, which were agreed to by the Orange County Fire Authority (the Authority), solely to assist you with respect to the Purchasing/Procurement process. The agreed-upon period, in which was examined, was from January 1, 2012 to December 31, 2012. The Authority's management is responsible for the policies and procedures related to Purchasing/Procurement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Initiating and Authorizing

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for initiating and authorizing purchases/procurement to gain an understanding of responsibilities and processes surrounding the access to initiate purchases and the internal controls involved in the process.

Observation 1: During our observations we noted that page 101 of the fiscal year 12/13 Budget Book distinguishes approval levels for both service contracts and consultants, but does not indicate how to determine which contracts will be considered consultants, and which will be considered service contracts. Service contracts require board approval if the contract is at least \$100,000, while consultant contracts require Board approval if the contract is at least \$25,000.

Evaluation: Depending on the type of services performed, some contracts can be classified as either service contracts or consultant contracts, and at times the classification can be subjective, and it is possible to have consultant services be defined as a service contract to avoid Board approval.

Recommendation: We recommend that the definition of a service contract or a consultant contract be more detailed as to allow certain types of services to be more defined or to change the approval levels so that service contracts and consultant contracts require the same approval limits so the handling of the contracts would be consistent.

Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Page 2

**OCFA Management's
Response:**

We agree with the auditor's recommendation to better define the differences between service and consultant contracts. As staff prepares the revision to the purchasing ordinance, consideration will also be given in setting the same approval limits for both consulting and service contracts. This will provide consistency in the policy and eliminate the incentive to have a consultant service defined as a service contract to avoid Board approval.

Observation 2:

During our observations we noted that the Authority utilizes physical purchase requisitions to initiate the purchasing process, but that these requisitions do not have a sequential numbering system in place to track the outstanding requisitions. Each requisition is recorded by the Purchasing Department on an excel spreadsheet, but it is manually recorded, allowing for errors and omissions to be present in the log. We also noted that the Banner system does have the capabilities to utilize system generated purchase requisitions but has not been put into place.

Evaluation:

To be effective, requisitions should have a pre-numbered numerical sequence attached and they should be recorded and reviewed to verify there are not missing requisitions. Online requisitions will strengthen the controls and monitoring of these documents.

Recommendation:

We recommend that the Authority utilize the Banner system or another available platform for purchase requisitions and if possible, online approval queues to track the requisitions. We also recommend that requisitions be assigned a preprinted number to facilitate the tracking of each document.

**OCFA Management's
Response:**

Staff agrees with the auditor's recommendations that it would be best to utilize the Banner system for requisitions. The current requisition is a Word document available on SharePoint. However, at this time, there are financial and agency-wide access limitations in utilizing the requisitioning system available in Banner; therefore Purchasing staff will research of creating an online purchasing requisition system utilizing SharePoint.

Observation 3:

During our observations we noted that the Authority maintains a purchase requisition log that is only used by the Purchasing Department to track requisitions that make it to the Purchasing Department for approval. This does not capture requisitions that have been misplaced or misused. The requisition log is updated to include the purchase order numbers and other useful information but it is not reviewed for accuracy or completeness. We selected a sample of 28 purchase orders and 5 blanket purchase orders from the requisition log and noted 6 purchase orders were unable to be located with the information listed on the log.



Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Page 3

Evaluation: Without pre-numbered sequential purchase requisition there is not a way to verify the requisition log is complete. The log is also susceptible to errors and omissions and without proper review these errors and omissions can go unnoticed.

Recommendation: We recommend that the requisition logs be updated and reviewed on a monthly basis to ensure each requisition is monitored and properly accounted for.

OCFA Management's Response: We agree with the auditor's recommendation. Purchasing staff will research the ability of creating an online purchasing requisition system utilizing SharePoint that will facilitate automated maintenance of a tracking log. In the meantime, purchasing staff will continue to utilize the manual requisition log and update/review the log regularly.

Documentation/Communication and Reporting

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for documenting and communicating purchases/procurement to gain an understanding of responsibilities and processes surrounding the documentation and reporting of purchases/procurements.

Observation 1: We noted there were cases in which purchase orders were issued change orders because the original purchase order was not approved for the proper amount of expenditures and the approved amount needed to be increased. According to the Authority's Standard Operating Procedures for Purchasing, standard acquisitions over \$10,000 require three informal bids. In some cases, change orders are issued for items that originally had not exceeded the \$10,000 threshold, so the proper bid requirements were not performed. While we noted no specific exceptions, there is a risk that when change orders are issued in these cases the Authority could be overriding internal controls established and may not be in compliance with its policy.

Evaluation: Prior to submitting requisitions, Departments should be performing an analysis with available information relating to the desired purchase to include prior year expenditures, current year budget and current year projections. This research should be attached to the requisition so that the Purchasing Department can verify proper research has been attained.

Recommendation: We recommend research and support for the amounts listed on purchase requisitions be attached to allow the Purchasing Department to have a more clear understanding of the reason for the purchase and the amount necessary to accomplish the desired tasks. This procedure should encompass all purchase requisitions for regular purchase orders, blanket purchase orders, consultant service contracts, and public works contracts.



Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
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**OCFA Management's
Response:**

Management agrees with the auditor's recommendation. To address these concerns, purchasing and accounting will be providing purchasing and finance training to the departments in the current fiscal year in an effort to educate them on processes.

Observation 2:

We noted that the Authority utilizes "sole source" vendors for items that can only be purchased by one vendor or for which all other vendors have been eliminated for proper business reasons. Under the Authority's current procedure, the documentation used to support the use of a sole source vendor may be insufficient or unclear, especially if only reviewing the purchase order. Under Observation 3 related to Initiating and Authorizing (above) it was mentioned that we selected a sample of purchase orders. Of this sample, three purchase orders listed had contracted with sole source vendors for items over the \$10,000 threshold. The documentation appeared to be incomplete because there was no documentation attached to the purchase order.

Evaluation:

The purchasing manual does have a section that discusses sole source vendors and various approval levels and limits. Based on the documentation provided for each individual purchase order, it is difficult to determine if the approval limits have been followed.

Recommendation:

We recommend that the Authority establish a sole source vendor form that should be filled out and stored in the vendor file. These forms should also be attached to individual purchase orders that should indicate lines to include the Fire Chief and Executive Committee approvals when necessary.

**OCFA Management's
Response:**

We agree with the auditor's recommendation. Purchasing staff is currently working on the creation of a sole source form that will help to standardize the requests for sole source purchases. Implementation of this process should be accomplished by the end of the calendar year.

Observation 3:

We noted that the Authority utilizes "Cooperative Agreements" in which they can "piggy back" on other contracts made publicly available between larger Governmental Agencies and various companies. The Standard Operating Procedures Ordinance Number 7, Section 7 states that the bidding requirements don't apply "when the Board of Directors finds that the public interest and convenience require the purchase of services, supplies, and equipment utilizing purchasing agreements maintained by county, state or other public entities". This is the only documentation listed for Cooperative Agreements.

Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Page 5

Evaluation: Cooperative Agreements can benefit the Authority because the Authority can compare a current contract on the books to one another larger Governmental Agency has entered into and get better pricing in some cases. The Authority should have a system in place that requires the documentation of the research that is done related to these cooperative agreements to justify the use of these agreements.

Recommendation: We recommend that the Authority establish written policies and procedures related to Cooperative Agreements to include the amount of research to be documented, the support required, and proper procedures to follow.

OCFA Management's Response: Management agrees with the recommendation and will address the use of cooperative agreements in the revision of the purchasing ordinance.

Observation 4: The Standard Operating Procedures developed by the Authority has areas that are not addressed as specifically and in as much detail as is necessary.

Evaluation: The Model Procurement Code gives a solid base from which to establish basic policies, procedures, and controls in relation to Procurement and Purchasing.

Recommendation: We recommend that the Authority obtain a copy of the Model Procurement Code developed by the American Bar Association and incorporate the applicable items from the Model Code into the Authority's Standard Operating Procedures.

OCFA Management's Response: We agree with the auditor's recommendation. Staff has a copy of the Model Procurement Code and intends to revise and develop a Model Procurement Code based Ordinance. Once the ordinance has been adopted, the standard operating procedures will be updated to reflect the changes.

Reconciliation and Review

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for reconciling and reviewing purchases/procurement to gain an understanding of responsibilities and processes surrounding the reconciliation of purchases/procurements and review.

Observation 1: During our observations we noted there are certain situations that arise in which Departments are authorized to purchase items without receiving a standard purchase order. These transactions are referred to as "direct pay" purchases. Ordinance Number 007, Section 7 states that "purchases of services, supplies, and equipment shall be made and accomplished in conformity with Section 8 (bidding procedures) unless the amount is less than \$10,000." There is general confusion throughout the Authority on the interpretation of this item and the approval process is not clearly identified.



Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Page 6

Evaluation: There is confusion about responsibilities and consistent treatment across Departments regarding direct pay purchases.

Recommendation: We recommend that the Authority evaluate this section of the Ordinance and communicate to all Departments the expectations and procedures involved with these direct pay transactions.

OCFA Management's Response: Management agrees with the auditor's recommendation. This concern will be addressed in the revised purchasing ordinance and will be better defined. The bidding procedures will be included in the purchasing and finance training that will be offered to the departments.

Observation 2: Please refer to Observation 1 in this section, above.

Evaluation: The Authority does not have procedures discussed in detail for direct pay transactions in the standard operating procedures. Individual and Departmental responsibilities should be documented as well as indicate a clear description of how these transactions should be handled.

Recommendation: We recommend that the Authority include direct pay transaction procedures in the standard operating procedures document.

OCFA Management's Response: We agree with the auditor's recommendation. Management is looking for ways to minimize the use of direct payments through the utilization of established blanket order contracts. Additional attention will be given to the use of direct payment transactions in the purchasing ordinance revision. In addition, direct payment procedures will be covered in the purchasing training.

Compliance and Monitoring

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible compliance and monitoring of purchases/procurement to gain an understanding of responsibilities and processes' surrounding the procedures used to verify the Authority is in compliance with laws and regulations.

Observation 1: We noted there were instances in which members of the community or vendors that did not get the award for bids would complain and demand evidence from the Authority justifying certain decisions. It is important that the documentation maintained by the Authority support decisions made by management and the Board of Directors in each situation.

Evaluation: Each request for proposal that goes out to public bid has a section that deals with objections and disputes, but there is nothing in the Standard Operating Procedures that discusses these items.



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Recommendation: We recommend that the Authority include the section of the request for proposals that discusses objections and disputes and include additional information that details out how to properly document these objections and disputes, and the procedures the Authority needs to take.

OCFA Management's Response: Management agrees with the recommendation and will include a protest procedure in the revision of the purchasing ordinance.

Observation 2: During our observations we noted that the current procedures in place make it difficult for the Authority to properly monitor existing contracts and when they expire.

Evaluation: Many of the contracts the Authority enters into are for over \$10,000, which would require the Authority to solicit for bids. The Request for Proposal process can be lengthy and proper timing and planning is essential in order to monitor contracts as they expire. The current system in place used to monitor blanket orders and Executive Committee approval is inefficient and needs to be updated.

Recommendation: We recommend that the Authority revise the current procedures in place to facilitate timely and proper monitoring of contracts as they expire. There are also various programs or software available to the Authority that will track and monitor contracts and projects, and when the contracts will expire.

OCFA Management's Response: We agree with the auditor's recommendation. Purchasing staff has prepared an excel list of all the blanket orders and the years remaining on the contract and will be better able to issue the solicitations in a timely manner. In addition, staff is gathering information on software programs available for contract management in an effort to move away from a manual system. Staff will make a recommendation to management based on the findings.

Additional Procedures

1. We performed additional procedures with respect to blanket orders for Bright Way Building Maintenance, Harbor Pointe A/C, and all vendors with multiple blanket orders issued since January 2011.

Observation: See Attachment A to this report.



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We were not engaged to, and did not; conduct an audit, the objective of which would be the expression of an opinion on the internal controls of Orange County Fire Authority related to Purchasing/Procurement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than the specified party.

Lance, Soll & Loughard, LLP

Brea, California
September 17, 2013

ORANGE COUNTY FIRE AUTHORITY

**Independent Accountant's Report on Applying Agreed-
Upon Procedures on Procurement Contracts for Blanket
Purchase Orders**

September 17, 2013



CERTIFIED PUBLIC ACCOUNTANTS

vpb A Division of LSL, CPAs
vilmure, peeler & boucher

• David E. Hale, CPA, CFP • Bryan S. Gruber, CPA
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jim Ruane, Finance Manager / Auditor
Orange County Fire Authority
Irvine, California

We have performed the procedures enumerated in the sections below, which were agreed to by the Orange County Fire Authority (the Authority), solely to assist you with respect to the procurement contracts for blanket purchase orders. The agreed-upon period in which was examined covered the contract period related to blanket order 1158 and 1201 for Harbor Pointe A/C and Controls and blanket order 1095 for Bright Way Building Maintenance, as well as all vendors with multiple blanket orders issued since January 2011. The Authority's management is responsible for the policies and procedures related to Purchasing/Procurement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Blanket Orders

Bright Way Building Maintenance

1. We obtained copies of policies and procedures and conducted interviews of personnel responsible for initiating, authorizing, and monitoring purchases/procurement. We obtained and reviewed information pertaining to the procurement of services with Bright Way Building Maintenance.

Observation:

We noted that the contract between the Authority and Bright Way Building Maintenance was for the period of 05/01/08 through 04/30/09, with the option of four one-year renewals through 4/30/13 for Janitorial Services at the Regional Fire Operations & Training Center (RFOTC). This contract was approved by the Executive Committee on April 24, 2008. The Authority exercised each of these renewals, and the contract expired on 4/30/13 without a new contract in place. The Authority continued to receive services from Bright Way Building Maintenance after the expiration of the contract. On May 23, 2013, the Authority submitted a request to the Executive Committee to "approve and authorize the Purchasing Manager to extend the blanket order contract terms on a month-to-month basis not-to-exceed six months pending completion of a Request for Proposal process" not-to-exceed \$70,914.

Evaluation:

The procedures currently in place at the Authority make it difficult on the Purchasing staff to properly monitor contracts as they expire. This allows situations to arise where the Authority doesn't have time to properly complete the Request for Proposal process and to adapt



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contracts to fit the immediate needs. As a result of the ineffective monitoring procedures over contracts, the agreement to extend the contract with Bright Way Building Maintenance was not solicited for bids. The Authority also received services for a period of time without an approved agreement in place.

Recommendation: We recommend that the Authority revise the current procedures in place to facilitate timely and proper monitoring of contracts as they expire. Many of the contracts require the Authority to submit request for proposals, which can be a rather lengthy process. There are also different software programs the Authority can purchase that will track and monitor contracts and projects, and when the contracts will expire.

OCFA Management's Response: Purchasing staff has prepared an excel list of all the blanket orders and the years remaining on the contract. Past practice was to notify the department the month the contract expired. This did not provide sufficient time to issue a bid and award a contract prior to contract expiration. With the information from the new excel report; purchasing staff will be more proactive in working with the departments to get the solicitations issued prior to contract expiration. In addition, staff is gathering information on software programs available for contract management in an effort to move away from a manual system. Staff will make a recommendation based on the findings.

Harbor Pointe A/C and Controls

2. We obtained copies of policies and procedures and conducted interviews of personnel responsible for initiating, authorizing, and monitoring purchases/procurement. We obtained and reviewed information pertaining to the procurement of services with Harbor Pointe A/C and Controls.

Observation 1: We noted that the contract between the Authority and Harbor Pointe A/C and Controls was originally for the period of 11/01/08 through 10/31/09, with the option of two one-year renewals through 10/31/11 for HVAC Maintenance at the RFOTC. The contract was awarded after an RFP was issued. This contract was not approved by the Executive Committee because the contract was considered a service contract and Authority management may approve the contract up to \$100,000 per year. This contract received blanket order number 1158.

On March 27, 2009, the Authority entered into a second contract with Harbor Pointe A/C and Controls for HVAC Maintenance for the Fire Stations for the period of 4/1/09 through 3/31/10, with the option of four one year renewals through 3/31/14. This contract was also awarded after an RFP was issued. This contract was not approved by the Executive Committee because the contract was considered a service



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contract and Authority management may approve the contract up to \$100,000 per year. This contract received blanket order number 1201.

On January 24, 2013, the Executive Committee approved the combination of the contracts and extensions through October 31, 2015. The Contract Duration Policy approved by the Board of Director's on November 15, 2007 provides Authority Management the ability to extend the contract for circumstances warranting longer periods of coverage for the continuity of service. Blanket order number 1158 was discontinued at this time.

Evaluation:

The contract extension through October 31, 2015, should have only been extended through March 31, 2014. Both of these blanket orders were for service contracts accomplishing the same purpose at different locations throughout the Authority. The Authority's Purchasing policies do not define whether the annual expenditures are combined for similar projects with the same vendor. The total lifetime expenditures were as follows:

<u>RFOTC BO#1158</u>		<u>Fire Stations BO#1201</u>	
11/01/08-10/31/09	\$53,024.11	04/01/09-03/31/10	\$92,670.57
11/01/09-10/31/10	\$82,685.70	04/01/10-03/31/11	\$75,537.65
11/01/10-10/31/11	\$88,024.77	04/01/11-03/31/12	\$69,979.38
11/01/11-10/31/12	\$59,964.85	04/01/12-03/31/13	\$244,784.45
11/01/12-01/31/13	\$14,724.45		
Totals	\$298,423.88	Totals	\$482,972.05

It is noted from this summary that neither of individual contracts exceeded the \$100,000 annual threshold requiring Executive Committee approval until the period of 04/01/12 through 03/31/13. Once the threshold was met, the Authority took the contract to the Executive Committee, as documented in Observation 1, above. The Authority extended the contract with Harbor Pointe A/C and Controls at RFOTC once blanket order #1158 had expired as of October 31, 2011, by combining the services into blanket order #1201.

Recommendation:

We recommend that the Authority re-submit a request for proposal to solicit public bids for HVAC Maintenance contracts for both the RFOTC and the Fire Stations. This is because the current term for the RFOTC contract has expired and was combined with the Fire Station contract without being re-submitted for proposal.

The current purchasing policies do not specify whether the Authority can submit two separate bids for the RFOTC and the Fire Stations separately even if it is for the same service and with the same vendor. We recommend the policy be updated to add some clarity to the subject and also discuss dollar thresholds for approval.



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**OCFA Management's
Response:**

While management agrees with the Auditor's recommendation, it should be noted that there were two separate formal solicitations which allowed for separate vendors to compete for the individual contract awards. As a result of the separate solicitations, both contracts were awarded to Harbor Pointe. The intent of combining the contracts and submitting this to the Executive Committee for approval was done in an effort to be transparent and was not to avoid a formal process. Purchasing staff intends to send out a new solicitation for these services and has only extended the contract through March 31, 2014.

Observation 2:

During our observations we noted that the contracts between the Authority and Harbor Pointe A/C and Control contained numerous change orders each year.

Evaluation:

According to the Roles/Responsibilities/Authorities for OCFA Section of the Policy and Guidelines contained in the Budget Book on page 101, Authority management has the authorization to "approve change order/modifications up to 15%, but not to exceed a total value of \$50,000". Each year for both contracts, the Authority management approved change orders in excess of 15%. However, individual change orders did not exceed \$50,000, but in total the change orders have exceeded that threshold on several occasions.

Despite the change orders, the individual expenditures related to each contract never exceeded the \$100,000 annual threshold for service contracts as documented in the Evaluation to Observation 1 above until the period of 04/01/12 through 03/31/13, in which the Authority submitted the contract for Executive Committee Approval.

The current policies in place regarding change orders and Executive Committee approval, as written, do not appear to be followed in this situation.

Recommendation:

We recommend that the Authority clarify the current policies in place for change orders and the approval process for the different type of purchases, as it presently appears to be unclear.

**OCFA Management's
Response:**

Management agrees with the auditor's assessment. To address these concerns, purchasing and finance staff are planning to provide training to the departments in an effort to further educate them on the procurement process and adhering to the OCFA Roles/Responsibilities/and Authorities matrix.. In addition, change orders will be addressed in the revision to the purchasing ordinance.



Jim Ruane, Finance Manager / Auditor
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Blanket Orders

3. We obtained a schedule of all blanket purchase orders issued by the Authority from the period of January 1, 2011 through May 8, 2013. We evaluated all blanket orders and judgmentally selected all items that contained the following criteria:

One Vendor
Multiple Blanket Orders Issued
Same Contract Period

We have included a schedule of all blanket orders inspected as a result of our sample as Exhibit A, attached to this report.

Observation: The Authority has issued 841 blanket orders from the start of 2011. As a result of our selections, 234 separate blanket orders were identified as higher risk items, or those meeting the above criteria. We physically inspected each blanket order listed in Exhibit A, and noted the following exceptions:

Randstad North America blanket order #112-6 was originally approved to expire on 5/31/13, but a current RFP and contract was not available at the expiration of the contract, so the Authority submitted a 6 month extension to the Executive Committee on May 23, 2013, through November 30, 2013. This situation is similar to the one documented under the Brightway Building Maintenance blanket orders documented in section 1 of this report.

Trucparco blanket order #1102-4 was originally approved to expire on 4/30/13, but a current RFP and contract was not available at the expiration of the contract, so the Authority extended the contract 2 months. This extension did not need Executive Committee approval because it was under the \$100,000 annual threshold. This situation is similar to the one documented under the Brightway Building Maintenance blanket orders documented in section 1 of this report.

Verizon Wireless blanket order 1085-2 and 1341 had two issues noted. The first issue was that the date of the last annual change order did not match the dates of the original blanket order. The second issue noted was that the last two change orders were issued for higher amounts than what the Executive Committee approved.

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Evaluation: The evaluation in Section 1 of this Report is sufficient to address the issues related to Randstad North America blanket order #1122-6 and Trucparco blanket order #1102-4.

The internal controls over the recording and processing of blanket orders need to be improved through the use of technology and segregation of duties. Adequate segregation of duties among the tasks of initiating, approving, recording, and reviewing blanket orders will strengthen controls. Computer and program controls implemented can provide data entry controls, edit checks, exception reports, access controls, and reviews of input or output data.

Recommendation: Based on the additional analysis of all blanket orders, the recommendations made in Section 1 and 2 of this Report, related to monitoring expiring contracts and clarifying policy on handling multiple agreements with same vendor, have not changed. We recommend that the internal controls over the initiating, recording, and review of blanket orders be strengthened so that the terms approved by the Executive Committee (duration and amount) be the same as the actual blanket order.

OCFA Management's Response: Management agrees with the recommendation to strengthen internal controls. We understand from the audit that the three blanket orders discussed above represent only 1.5% of the 234 blanket orders reviewed, and actions are underway to address these findings. Part of the reason for the audit finding on these three blanket orders are the existing manual system, limited procurement staffing levels and the need to provide additional training to the departments. The solicitation was issued for Information Technology staffing (Randstad); proposals have been received and are currently being evaluated with anticipated recommendation for award at the October Executive Committee. The auto parts contract (Trucparco) was bid and multiple contract awards were made

We were not engaged to, and did not; conduct an audit, the objective of which would be the expression of an opinion on the procurement contracts of the Orange County Fire Authority for blanket order 1158 and 1201 for Harbor Pointe A/C and Controls, and blanket order 1095 for Bright Way Building Maintenance, as well as all vendors with multiple blanket orders issued since January 2011. And accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Orange County Fire Authority and is not intended to be, and should not be, used by anyone other than the specified party.

Lance, Soll & Luyhard, LLP

Brea, California
September 17, 2013

Orange County Fire Authority Blanket Order Exhibit A

PO Number	Vendor Name	Description of Service or Commodity	Annual BO Amt	Bid/RFP #	Date of Bid	Contract Start Date	Contract End Date	Executive Committee Approval
B01215-1	ACS GOVERNMENT SYSTEMS	Hourly remote database assistance	\$30,000.00	Sole Source	N/A	7/1/2010	6/30/2011	N/A
B01215-2	ACS GOVERNMENT SYSTEMS	Hourly remote database assistance	\$30,000.00	Sole Source	N/A	7/1/2011	6/30/2012	N/A
E00099-9	ACS GOVERNMENT SYSTEMS	Now B01456. No longer ENC	\$79,205.53	Sole Source	N/A	5/1/2010	4/30/2011	Yes, 5/9/96
E00100-9	ACS GOVERNMENT SYSTEMS	Now B01455. No longer ENC	\$8,251.55	Sole Source	N/A	5/1/2010	4/30/2011	Yes, 5/9/96
E00253	ACS GOVERNMENT SYSTEMS	Now B01455. No longer ENC	\$9,422.24	Sole Source	N/A	5/1/2011	4/30/2012	Yes, 5/9/96
E00253-1	ACS GOVERNMENT SYSTEMS	Now B01455. No longer ENC	\$9,335.60	Sole Source	N/A	5/1/2012	4/30/2013	Yes, 5/9/96
E00254	ACS GOVERNMENT SYSTEMS	Now B01456. No longer ENC	90,442.80	Sole Source	N/A	5/1/2011	4/30/2012	Yes, 5/9/96
E00254-1	ACS GOVERNMENT SYSTEMS	Now B01456. No longer ENC	\$89,611.14	Sole Source	N/A	5/1/2012	4/30/2013	Yes, 5/9/96
B01456	ACS GOVERNMENT SYSTEMS BANNER/FINANCE	Banner Finance Maintenance	\$89,819.16	Sole Source	N/A	5/1/2013	4/30/2014	Yes, 5/9/96
B01455	ACS GOVERNMENT SYSTEMS WEB FOR EMPLOYEES	"Web For Employees" Maintenance	\$9,357.26	Sole Source	N/A	5/1/2013	4/30/2014	Yes, 5/9/96
B00940-4	ALLSTAR FIRE EQUIPM ENT	Purchase of Firefighting Gloves	\$10,000.00	MD1311	10/3/2006	11/1/2010	10/31/2011	N/A
B00966-3	ALLSTAR FIRE EQUIPM ENT	Purchase of Flashlights	\$5,000.00	MD1349	1/16/2007	2/1/2010	1/31/2011	N/A
B01020-3	ALLSTAR FIRE EQUIPM ENT	Purchase of Clothing and Accessories	\$400,000.00	JC1342	1/30/2007	5/1/2010	4/30/2011	N/A
B01020-4	ALLSTAR FIRE EQUIPM ENT	Purchase of Clothing and Accessories	\$400,000.00	JC1342	1/30/2007	5/1/2011	4/30/2012	N/A
B01020-5	ALLSTAR FIRE EQUIPM ENT	Purchase of Clothing and Accessories	\$450,000.00	JC1342	1/30/2007	5/1/2012	4/30/2013	N/A
B01020-6	ALLSTAR FIRE EQUIPM ENT	Purchase of Clothing and Accessories	\$400,000.00	JC1342	1/30/2007	5/1/2013	4/30/2014	N/A
B01184-1	ALLSTAR FIRE EQUIPM ENT	Purchase Wildland Protective Clothing	\$40,000.00	MP1610	12/23/2008	2/1/2010	1/31/2011	N/A
B01184-2	ALLSTAR FIRE EQUIPM ENT	Purchase Wildland Protective Clothing	\$40,000.00	MP1610	12/23/2008	2/1/2011	1/31/2012	N/A
B01184-3	ALLSTAR FIRE EQUIPM ENT	Purchase Wildland Protective Clothing	\$40,000.00	MP1610	12/23/2008	2/1/2013	1/31/2013	N/A
B01184-4	ALLSTAR FIRE EQUIPM ENT	Purchase Wildland Protective Clothing	\$40,000.00	MP1610	12/23/2008	2/1/2013	1/31/2014	N/A
B01214-4	ALLSTAR FIRE EQUIPM ENT	Purchase of Scott Airpack Parts	\$145,000.00	MP1663	5/8/2009	5/1/2013	4/30/2014	N/A
B01221-1	ALLSTAR FIRE EQUIPM ENT	Purchase of Rubber Turnout Boots	\$15,000.00	MP1676	6/10/2009	6/1/2010	5/31/2011	N/A
B01221-2	ALLSTAR FIRE EQUIPM ENT	Purchase of Rubber Turnout Boots	\$10,000.00	MP1676	6/10/2009	6/1/2011	5/31/2012	N/A
B01221-3	ALLSTAR FIRE EQUIPM ENT	Purchase of Rubber Turnout Boots	\$10,000.00	MP1676	6/10/2009	6/1/2012	5/31/2013	N/A
B01221-4	ALLSTAR FIRE EQUIPM ENT	Purchase of Rubber Turnout Boots	\$10,000.00	MP1676	6/10/2009	6/1/2013	8/31/2014	N/A
B01236-1	ALLSTAR FIRE EQUIPM ENT	Purchase of Fire Hose	\$195,000.00	JC1671	6/17/2009	8/1/2010	7/31/2013	N/A
B01236-2	ALLSTAR FIRE EQUIPM ENT	Purchase of Fire Hose	\$195,000.00	JC1671	6/17/2009	8/1/2011	7/31/2012	N/A
B01236-3	ALLSTAR FIRE EQUIPM ENT	Purchase of Fire Hose	\$195,000.00	JC1671	6/17/2009	8/1/2012	7/31/2013	N/A
B01241-1	ALLSTAR FIRE EQUIPM ENT	Purchase of Phenix Helmets	\$50,000.00	N/A	N/A	9/1/2010	8/31/2011	N/A
B01241-2	ALLSTAR FIRE EQUIPM ENT	Purchase of Phenix Helmets	\$50,000.00	N/A	N/A	9/1/2011	8/31/2012	N/A
B01241-3	ALLSTAR FIRE EQUIPM ENT	Purchase of Phenix Helmets	\$70,000.00	N/A	N/A	9/1/2012	8/31/2013	N/A
B01355	ALLSTAR FIRE EQUIPM ENT	Purchase of Firefighting Gloves	\$30,000.00	MD1742	5/23/2011	6/1/2011	5/31/2012	N/A
B01355-1	ALLSTAR FIRE EQUIPM ENT	Purchase of Firefighting Gloves	\$30,000.00	MD1742	5/23/2011	6/1/2012	5/31/2013	N/A
B01355-2	ALLSTAR FIRE EQUIPM ENT	Purchase of Firefighting Gloves	\$30,000.00	MD1742	5/23/2011	6/1/2013	5/31/2014	N/A
B01439	ALLSTAR FIRE EQUIPM ENT	Purchase of Flashlights	\$15,000.00	JA1812	5/29/2012	7/1/2012	6/30/2013	N/A
B01439-1	ALLSTAR FIRE EQUIPM ENT	Purchase of Flashlights	\$5,000.00	JA1812	5/29/2012	7/1/2013	6/30/2014	N/A
B01169-3	ASSETWORKS, INC.	FA Software Maintenance and Support	\$100,000.00	JC1521	10/23/2008	1/1/2012	12/31/2012	Yes 10-23-2008
B01170-3	ASSETWORKS, INC.	FA Software Maintenance and Support	\$10,440.00	JC1521	10/23/2008	1/1/2012	12/31/2012	Yes 10-23-2008
B01170-4	ASSETWORKS, INC.	FA Software Maintenance and Support	\$10,962.00	JC1521	10/23/2008	1/1/2013	12/31/2013	Yes 10-23-2008
B01386	CITY OF COSTA MESA	Purchase of Business Cards	\$3,000.00	N/A	N/A	11/1/2011	10/31/2012	N/A
B01389	CITY OF COSTA MESA	Printing Services	\$20,000.00	MD1781	8/23/2011	11/1/2011	10/31/2012	N/A
B01141-1	CITY OF FULLERTON	Lease of Fire Station 41	\$51,786.00	N/A	N/A	1/1/2010	2/28/2011	Yes (1/10/2000)
B01337	CITY OF FULLERTON	Lease of Fire Station 41	\$60,364.08	N/A	N/A	7/1/2011	6/30/2012	Yes 1-28-10
B01337-1	CITY OF FULLERTON	Lease of Fire Station 41	\$99,898.74	N/A	N/A	7/1/2012	6/30/2013	Yes 1-28-10
B01337-2	CITY OF FULLERTON	Lease of Fire Station 41	\$102,840.00	N/A	N/A	7/1/2013	6/30/2014	Yes 1-28-10
B01365	CITY OF FULLERTON	Flow Fee to City of Fullerton	\$5,000.00	N/A	N/A	1/1/2011	12/31/2011	Yes 1/28/10
B01365-1	CITY OF FULLERTON	Flow Fee to City of Fullerton	\$5,000.00	N/A	N/A	1/1/2012	12/31/2012	Yes 1/28/10
B01365-2	CITY OF FULLERTON	Flow Fee to City of Fullerton	\$5,000.00	N/A	N/A	1/1/2013	12/31/2013	Yes 1/28/10
B00880-4	CLEANSOURCE, INC	Maintenance and Repair of Floor Scrubber	\$5,000.00	N/A	N/A	4/1/2010	3/31/2011	N/A

PO Number	Vendor Name	Description of Service or Commodity	Annual BO Amt	Bid/RFP #	Date of Bid	Contract Start Date	Contract End Date	Executive Committee Approval
B00880-5	CLEANSOURCE, INC	Maintenance and Repair of Floor Scrubber	\$5,000.00	N/A	N/A	4/1/2011	3/31/2012	N/A
B00880-6	CLEANSOURCE, INC	Maintenance and Repair of Floor Scrubber	\$5,000.00	N/A	N/A	4/1/2012	3/31/2013	N/A
B01235-1	CLEANSOURCE, INC	Cooperative contract that was cancelled on 3/11/10.	\$222,937.50	N/A	N/A	11/1/2010	10/31/2011	N/A
B01235-2	CLEANSOURCE, INC	Cooperative contract that was cancelled on 3/11/10.	\$50,000.00	N/A	N/A	11/1/2011	10/31/2012	N/A
B01235-3	CLEANSOURCE, INC	Cooperative contract that was cancelled on 3/11/10.	\$50,000.00	N/A	N/A	11/1/2012	10/31/2013	N/A
B01240-1	CLEANSOURCE, INC	Purchase of Cleaning Supplies	\$25,000.00	SMA San Diego	N/A	8/15/2010	9/30/2011	N/A
B01070-2	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$41,357.44	MP1459	1/17/2008	3/1/2010	2/28/2011	N/A
B01070-3	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$40,357.44	MP1459	1/17/2008	3/1/2011	2/28/2012	N/A
B01112-2	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$15,000.00	MP1503	5/8/2008	6/1/2010	5/31/2011	N/A
B01393	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$35,000.00	MD1776	11/18/2011	12/1/2011	11/30/2012	N/A
B01393-1	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$80,000.00	MD1776	11/18/2011	12/1/2012	11/30/2013	N/A
B01407	COM M ERICIAL SERVICE SOLUTIONS	Fire Stations Carpet Cleaning and Maintenance	\$45,000.00	MP1459	1/17/2008	4/1/2012	11/30/2012	N/A
B00680-7	COUNTY OF ORANGE/TREASURER-TAX	OC Communications System Service Contract	\$290,323.00	N/A	N/A	7/1/2010	6/30/2011	Yes (8/28/03)
B00680-8	COUNTY OF ORANGE/TREASURER-TAX	OC Communications System Service Contract	\$279,541.00	N/A	N/A	7/1/2011	6/30/2012	Yes (8/28/03)
B00680-9	COUNTY OF ORANGE/TREASURER-TAX	OC Communications System Service Contract	\$320,732.00	N/A	N/A	7/1/2012	6/30/2013	Yes (8/28/03)
B01013-3	COUNTY OF ORANGE/TREASURER-TAX	900mbz Paging System Access	\$38,400.00	N/A	N/A	7/1/2010	6/30/2011	N/A
B01013-4	COUNTY OF ORANGE/TREASURER-TAX	900mbz Paging System Access	\$38,400.00	N/A	N/A	7/1/2011	6/30/2012	N/A
B01013-5	COUNTY OF ORANGE/TREASURER-TAX	900mbz Paging System Access	\$38,400.00	N/A	N/A	7/1/2012	6/30/2013	N/A
B01116-2	COUNTY OF ORANGE/TREASURER-TAX	Printing Services	\$25,000.00	N/A	N/A	7/1/2010	6/30/2011	N/A
B01116-3	COUNTY OF ORANGE/TREASURER-TAX	Printing Services	\$10,000.00	N/A	N/A	7/1/2011	6/30/2012	N/A
B01223-1	COUNTY OF ORANGE/TREASURER-TAX	Communication Equipment Maintenance	\$155,000.00	RP0085	5/1/1996	7/1/2010	6/30/2011	N/A
B01223-2	COUNTY OF ORANGE/TREASURER-TAX	Communication Equipment Maintenance	\$155,000.00	RP0085	5/1/1996	7/1/2011	6/30/2012	N/A
B01223-3	COUNTY OF ORANGE/TREASURER-TAX	Communication Equipment Maintenance	\$155,000.00	RP0085	5/1/1996	7/1/2012	6/30/2013	N/A
B01246-3	COURY & BUEHLER PHYSICAL THERAPY	PT, Rehab and Wellness Services	\$35,000.00	MP1599	11/6/2008	9/15/2012	9/14/2013	N/A
B01405	COURY & BUEHLER PHYSICAL THERAPY-IRVINE	PT, Rehab and Wellness Services	\$60,000.00	MP1599	11/6/2008	2/8/2012	9/14/2013	N/A
B01137-2	ESRI, INC.	Technology Professional Services	\$100,000.00	MP1477	2/15/2008	8/19/2010	8/18/2011	N/A
B01137-3	ESRI, INC.	Technology Professional Services	\$100,000.00	MP1477	2/15/2008	8/19/2011	8/18/2012	N/A
B01137-4	ESRI, INC.	Technology Professional Services	\$100,000.00	MP1477	2/15/2008	8/19/2012	8/18/2013	N/A
B01291	ESRI, INC.	Professional GIS Maintenance Services	\$75,000.00	Sole Source	N/A	2/15/2010	2/14/2011	5/27/2010
B01291-1	ESRI, INC.	Professional GIS Maintenance Services	\$85,000.00	Sole Source	N/A	2/15/2011	2/14/2012	5/27/2010
B01291-2	ESRI, INC.	Professional GIS Maintenance Services	\$75,000.00	Sole Source	N/A	2/15/2012	2/14/2014	5/27/2010
B01015-3	FIREFIGHTERS SAFETY CENTER	Purchase of Helmet Shlelds	\$7,500.00	MD1381	5/1/2007	6/1/2010	5/31/2011	N/A
B01015-4	FIREFIGHTERS SAFETY CENTER	Purchase of Helmet Shields	\$7,000.00	MD1381	5/1/2007	6/1/2011	5/31/2012	N/A
B01015-5	FIREFIGHTERS SAFETY CENTER	Purchase of Helmet Shields	\$13,000.00	MD1381	5/1/2007	6/1/2012	5/31/2013	N/A
B01297	FIREFIGHTERS SAFETY CENTER	Purchase of Wildland Boots	\$60,000.00	JC1726	6/2/2010	7/1/2010	6/30/2011	N/A
B01297-1	FIREFIGHTERS SAFETY CENTER	Purchase of Wildland Boots	\$60,000.00	JC1726	6/2/2010	7/1/2011	6/30/2012	N/A
B01297-2	FIREFIGHTERS SAFETY CENTER	Purchase of Wildland Boots	\$60,000.00	JC1726	6/2/2010	7/1/2012	6/30/2013	N/A
B01297-3	FIREFIGHTERS SAFETY CENTER	Purchase of Wildland Boots	\$45,000.00	JC1726	6/2/2010	7/1/2013	6/30/2014	N/A
B01319-1	GALLS INC	Purchase of Uniforms	\$500,000.00	RL0439	9/14/1999	1/1/2012	12/31/2012	N/A
B01319-2	GALLS INC	Purchase of Uniforms	\$200,000.00	RL0439	9/14/1999	1/1/2013	3/31/2013	N/A
B01319-3	GALLS INC	Purchase of Uniforms	\$400,000.00	RL0439	9/14/1999	4/1/2013	6/30/2014	N/A
B01225-2	GM F SOUND, INC.	A/V Equipment Repair Services	\$10,000.00	N/A	N/A	7/1/2011	6/30/2012	N/A
B01225-3	GM F SOUND, INC.	A/V Equipment Repair Services	\$10,000.00	N/A	N/A	7/1/2012	6/30/2013	N/A
B01239-2	GM F SOUND, INC.	Purchase of Sound System Components	\$10,000.00	N/A	N/A	8/1/2011	7/31/2012	N/A
B01336	GM F SOUND, INC.	Purchase of A/V and Station Alarm Components	\$20,000.00	MP1758	2/10/2011	2/1/2011	1/31/2012	N/A
B01336-1	GM F SOUND, INC.	Purchase of A/V and Station Alarm Components	\$20,000.00	MP1758	2/10/2011	2/1/2012	1/31/2013	N/A
B01336-2	GM F SOUND, INC.	Purchase of A/V and Station Alarm Components	\$20,000.00	MP1758	2/10/2011	2/1/2013	1/31/2014	N/A
B01382	GRAINGER	Purchase Communication and IT Supplies	\$20,000.00	Coop. Tucson AZ #090188	11/1/2010	1/1/2011	12/31/2011	N/A
B01382-1	GRAINGER	Purchase Communication and IT Supplies	\$20,000.00	Coop. Tucson AZ #090188	11/1/2010	1/1/2012	12/31/2012	N/A
B01382-2	GRAINGER	Purchase Communication and IT Supplies	\$7,500.00	Coop. Tucson AZ #090188	11/1/2010	1/1/2013	12/31/2013	N/A
B01412	GRAINGER	Purchase of Misc Tools and Hardware	\$20,000.00	Coop. Tucson AZ #090188	11/1/2010	5/1/2012	12/31/2014	N/A
B01438	GRAINGER	Purchase of Duracell Procell Batteries	\$32,000.00	Coop. Tucson AZ #090188	11/1/2010	1/1/2012	12/31/2012	N/A

PO Number	Vendor Name	Description of Service or Commodity	Annual BO Amt	Bid/RFP #	Date of Bid	Contract Start Date	Contract End Date	Executive Committee Approval
B01438-1	GRAINGER	Purchase of Duracell Procell Batteries	\$32,000.00	Coop. Tucson AZ #090188	11/1/2010	1/1/2013	12/31/2013	N/A
B01229-1	HARBOR POINTE A/C & CONTROLS	Portable and Fixed Air Compressor Service	\$30,000.00	MP1680	7/15/2009	8/1/2010	7/31/2011	N/A
B01229-2	HARBOR POINTE A/C & CONTROLS	Portable and Fixed Air Compressor Service	\$50,000.00	MP1680	7/15/2009	8/1/2011	7/31/2012	N/A
B01229-3	HARBOR POINTE A/C & CONTROLS	Portable and Fixed Air Compressor Service	\$50,000.00	MP1680	7/15/2009	8/1/2012	7/31/2013	N/A
B00595-7	HEWLETT-PACKARD COM PANY	Now B0144 due to system limitations -9. Reference B01442 description and notes	\$9,163.57	Coop. WSCA #A63309 (End 8/31/09) Renewed WSCAII B27164 exp. 9/1/14	2/1/2003	8/31/2010	9/1/2011	N/A
B00595-8	HEWLETT-PACKARD COM PANY	Now B0144 due to system limitations -9. Reference B01442 description and notes	\$8,241.03	Coop. WSCA #A63309 (End 8/31/09) Renewed WSCAII B27164 exp. 9/1/14	2/1/2003	8/31/2011	9/1/2012	N/A
B00595-9	HEWLETT-PACKARD COM PANY	Now B0144 due to system limitations -9. Reference B01442 description and notes	\$5,242.86	Coop. WSCA #A63309 (End 8/31/09) Renewed WSCAII B27164 exp. 9/1/14	2/1/2003	8/31/2012	9/1/2013	N/A
B01200-1	HEWLETT-PACKARD COM PANY	HP Support Plus 24 Hour Services	\$12,357.24	MP1666	5/8/2009	5/1/2010	4/30/2011	N/A
B01342	HEWLETT-PACKARD COM PANY	HP Support Plus 24 Hour Services	\$11,267.04	WSCAIII Contract B27164	5/1/2012	5/1/2011	4/30/2012	N/A
B01342-1	HEWLETT-PACKARD COM PANY	HP Support Plus 24 Hour Services	\$11,267.04	WSCAIII Contract B27164	5/1/2012	5/1/2012	4/30/2013	N/A
B01342-2	HEWLETT-PACKARD COM PANY	HP Support Plus 24 Hour Services	\$11,266.68	WSCAIII Contract B27164	5/1/2012	5/1/2013	4/30/2014	N/A
B01442	HEWLETT-PACKARD COM PANY	VMX and UNIX Software Maintenance	\$5,044.81	Coop. WSCA #A63309 (End 8/31/09) Renewed WSCAII B27164 exp. 9/1/14	2/1/2003	2/1/2013	1/31/2014	N/A
B01205-1	KM E FIRE APPARATUS	Fire Apparatus Repair and Maintenance	\$65,000.00	MP1651	3/24/2009	4/1/2010	3/31/2011	N/A
B01205-2	KM E FIRE APPARATUS	Fire Apparatus Repair and Maintenance	\$55,000.00	MP1651	3/24/2009	4/1/2011	3/31/2012	N/A
B01205-3	KM E FIRE APPARATUS	Fire Apparatus Repair and Maintenance	\$95,000.00	MP1651	3/24/2009	4/1/2012	3/31/2013	N/A
B01205-4	KM E FIRE APPARATUS	Fire Apparatus Repair and Maintenance	\$55,000.00	MP1651	3/24/2009	4/1/2013	3/31/2014	N/A
B01275	KM E FIRE APPARATUS	Purchase of Akron Parts	\$7,000.00	MP1713	3/18/2010	4/1/2010	3/31/2011	N/A
B01275-1	KM E FIRE APPARATUS	Purchase of Akron Parts	\$7,000.00	MP1713	3/18/2010	4/1/2011	3/31/2012	N/A
B01275-2	KM E FIRE APPARATUS	Purchase of Akron Parts	\$17,000.00	MP1713	3/18/2010	4/1/2012	3/31/2013	N/A
B01404	KM E FIRE APPARATUS	Purchase of Hale Pump Parts	\$17,000.00	MP1588	10/21/2008	3/1/2012	2/28/2013	N/A
B00454-9	LN CURTIS & SONS	Hurst Jaws of Life Parts and Repairs	\$15,000.00	MP0619	1/8/2001	3/1/2010	2/28/2011	N/A
B00959-4	LN CURTIS & SONS	Purchase of Structural Firefighting Boots	\$30,000.00	MD1337	12/11/2006	12/15/2010	12/14/2011	N/A
B00959-5	LN CURTIS & SONS	Purchase of Structural Firefighting Boots	\$30,000.00	MD1337	12/11/2006	12/15/2011	12/14/2012	N/A
B00959-6	LN CURTIS & SONS	Purchase of Structural Firefighting Boots	\$30,000.00	MD1337	12/11/2006	12/15/2012	12/14/2013	N/A
B01230-1	LN CURTIS & SONS	Purchase of Fire Equipment and Supplies	\$200,000.00	MP1677	6/23/2009	8/1/2010	7/31/2011	N/A
B01230-2	LN CURTIS & SONS	Purchase of Fire Equipment and Supplies	\$200,000.00	MP1677	6/23/2009	8/1/2011	7/31/2012	N/A
B01230-3	LN CURTIS & SONS	Purchase of Fire Equipment and Supplies	\$200,000.00	MP1677	6/23/2009	8/1/2012	7/31/2013	N/A
B01248-1	LN CURTIS & SONS	Purchase of Lifeline and Rescue Equipment	\$30,000.00	MP1691	9/16/2009	10/1/2010	9/30/2011	N/A
B01248-2	LN CURTIS & SONS	Purchase of Lifeline and Rescue Equipment	\$25,000.00	MP1691	9/16/2009	10/1/2011	9/30/2012	N/A
B01248-3	LN CURTIS & SONS	Purchase of Lifeline and Rescue Equipment	\$25,000.00	MP1691	9/16/2009	10/1/2012	9/30/2013	N/A
B01289	LN CURTIS & SONS	Purchase of Firefighting Foam	\$40,000.00	MP1729	5/21/2010	6/1/2010	5/31/2011	N/A
B01289-1	LN CURTIS & SONS	Purchase of Firefighting Foam	\$40,000.00	MP1729	5/21/2010	6/1/2011	5/31/2012	N/A
B01289-2	LN CURTIS & SONS	Purchase of Firefighting Foam	\$40,000.00	MP1729	5/21/2010	6/1/2012	5/31/2013	N/A
B01330	LN CURTIS & SONS	Hurst Jaws of Life Parts and Repairs	\$33,000.00	MP0619	1/8/2001	3/1/2011	2/28/2012	N/A
B01330-1	LN CURTIS & SONS	Hurst Jaws of Life Parts and Repairs	\$33,000.00	MP0619	1/8/2001	3/1/2012	2/28/2013	N/A
B01330-2	LN CURTIS & SONS	Hurst Jaws of Life Parts and Repairs	\$33,000.00	MP0619	1/8/2001	3/1/2013	2/28/2014	N/A
B01394	LN CURTIS & SONS	Purchase of Streamlight E-Spot Upgrade Kit	\$16,000.00	DC1796	12/13/2011	1/1/2012	12/31/2012	N/A
B01394-1	LN CURTIS & SONS	Purchase of Streamlight E-Spot Upgrade Kit	\$10,000.00	DC1796	12/13/2011	1/1/2013	12/31/2013	N/A
B00490-9	M OTOROLA SOLUTIONS INC.	Mobile Computer Repair and Maintenance	\$47,345.64	Sole Source	N/A	8/1/2010	7/31/2011	N/A
B01367-1	M OTOROLA SOLUTIONS INC.	Mobile Computer Repair and Maintenance	\$48,765.96	Sole Source	N/A	8/1/2011	7/31/2012	N/A
B01367-1	M OTOROLA SOLUTIONS INC.	Mobile Computer Repair and Maintenance	\$48,357.84	Sole Source	N/A	8/1/2012	7/31/2013	N/A
B01367-2	M OTOROLA SOLUTIONS INC.	Mobile Computer Repair and Maintenance	\$49,808.52	Sole Source	N/A	8/1/2013	7/31/2014	N/A
B01381	M OTOROLA SOLUTIONS INC.	Purchase of Communication Parts and Accessories	\$30,000.00	County of Orange MA06-10012594	5/21/2010	10/12/2011	9/30/2012	N/A
B01381-1	M OTOROLA SOLUTIONS INC.	Purchase of Communication Parts and Accessories	\$30,000.00	County of Orange MA06-10012594	5/21/2010	10/12/2012	9/30/2013	N/A
B01397	M UNICIPAL EM ERGENCY SERVICES	Purchase of Jackson Wildcat Goggles	\$10,000.00	DC1799	1/18/2012	1/1/2012	12/31/2012	N/A
B01397-1	M UNICIPAL EM ERGENCY SERVICES	Purchase of Jackson Wildcat Goggles	\$10,000.00	DC1799	1/18/2012	1/1/2013	12/31/2013	N/A
B01443	M UNICIPAL EM ERGENCY SERVICES	Purchase of SCBA Fit Testing Services	\$25,500.00	DC1802	1/18/2013	1/1/2013	12/31/2013	N/A
E00256	M UNICIPAL EM ERGENCY SERVICES	Now B01397. No longer encumbered	\$18,768.00	N/A	N/A	1/1/2012	12/31/2012	N/A

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E00256-1	MUNICIPAL EMERGENCY SERVICES	Now B01397. No longer encumbered	\$18,768.00	N/A	N/A	1/1/2013	12/31/2013	N/A
B00915-4	NICKEY PETROLEUM	Purchase of Gasoline and Diesel Fuel	\$10,000.00	N/A	N/A	8/1/2010	7/31/2011	N/A
B00915-5	NICKEY PETROLEUM	Purchase of Gasoline and Diesel Fuel	\$10,000.00	N/A	N/A	8/1/2011	7/31/2012	N/A
B00915-6	NICKEY PETROLEUM	Purchase of Gasoline and Diesel Fuel	\$10,000.00	N/A	N/A	8/1/2012	7/31/2013	N/A
B00994-3	NICKEY PETROLEUM	Purchase of Absorbents and Related Items	\$15,000.00	MP1364	3/20/2007	8/1/2010	7/31/2011	N/A
B01084-2	NICKEY PETROLEUM	Purchase of Lubricants	\$33,500.00	MP1487	3/14/2008	4/1/2010	3/31/2011	N/A
B01343	NICKEY PETROLEUM	Purchase of Lubricants	\$29,500.00	MD1765	3/30/2011	4/1/2011	3/31/2012	N/A
B01343-1	NICKEY PETROLEUM	Purchase of Lubricants	\$45,500.00	MD1765	3/30/2011	4/1/2012	3/31/2013	N/A
B01343-2	NICKEY PETROLEUM	Purchase of Lubricants	\$40,000.00	MD1765	3/30/2011	4/1/2013	3/31/2014	N/A
B00909-4	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$15,480.00	Sole Source	N/A	7/1/2010	6/30/2011	N/A
B00909-5	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$15,480.00	Sole Source	N/A	7/1/2011	6/30/2012	N/A
B00909-6	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$17,980.00	Sole Source	N/A	7/1/2012	6/30/2013	N/A
B00909-7	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$17,980.00	Sole Source	N/A	7/1/2013	6/30/2014	N/A
B00910-4	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2010	6/30/2011	N/A
B00910-6	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2012	6/30/2013	N/A
B00910-7	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2013	6/30/2014	N/A
B00911-4	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2010	6/30/2011	N/A
B00911-5	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2011	6/30/2012	N/A
B00911-6	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2012	6/30/2013	N/A
B00911-7	OPTISOURCE TECHNOLOGIES, INC.	Document Imaging and Processing Services	\$10,000.00	Sole Source	N/A	7/1/2013	6/30/2014	N/A
B01122-5	RANDSTAD NORTH AMERICA, L.P.	Professional Technology Services	\$539,446.00	MP1477	3/7/2008	6/1/2011	5/31/2012	Yes, 5/22/08
B01122-6	RANDSTAD NORTH AMERICA, L.P.	Professional Technology Services	\$996,446.00	MP1477	3/7/2008	6/1/2012	11/30/2013	Yes, 5/22/08
B01219-4	RANDSTAD NORTH AMERICA, L.P.	GIS Services	\$304,750.00	MP1477	3/7/2008	6/1/2011	5/31/2012	Yes, 1/28/10
B01219-5	RANDSTAD NORTH AMERICA, L.P.	GIS Services	\$304,750.00	MP1477	3/7/2008	6/1/2012	5/31/2013	Yes, 1/28/10
B01219-6	RANDSTAD NORTH AMERICA, L.P.	GIS Services	\$304,750.00	MP1477	3/7/2008	6/1/2013	5/31/2014	Yes, 1/28/10
B01415	RANDSTAD NORTH AMERICA, L.P.	Network Technology Services	\$192,000.00	Agreement from Santa Ana: A-2011-133	N/A	4/20/2012	4/19/2013	Board yes 3/22/12
B01122-3	SAPPHIRE TECHNOLOGIES, LP	Now Randstad Reference B01122	\$533,050.00	MP1477	3/7/2008	6/1/2010	5/31/2011	Yes, 1/28/10
B01122-4	SAPPHIRE TECHNOLOGIES, LP	Now Randstad Reference B01122	\$539,446.00	MP1477	3/7/2008	6/1/2011	5/31/2012	Yes, 1/28/10
B01219-2	SAPPHIRE TECHNOLOGIES, LP	Now Randstad Reference B01219	\$265,000.00	MP1477	3/7/2008	6/1/2010	5/31/2011	Yes, 1/28/10
B01219-3	SAPPHIRE TECHNOLOGIES, LP	Now Randstad Reference B01219	\$304,750.00	MP1477	3/7/2008	6/1/2011	5/31/2012	Yes, 1/28/10
B01418	TRITECH SOFTWARE SYSTEMS	Software Support Services for Santa Ana CAD	\$126,422.17	N/A	N/A	6/1/2012	5/31/2013	BOD 3/22/12. Exec 5/23/13
B01418-1	TRITECH SOFTWARE SYSTEMS	Software Support Services for Santa Ana CAD	\$128,931.05	N/A	N/A	6/1/2013	5/31/2014	BOD 3/22/12. Exec 5/23/13
E00258	TRITECH SOFTWARE SYSTEMS	Installation & Licensing CAD Safety Systems	\$2,835,640.00	MD1743	6/6/2011	9/27/2012	9/30/2013	9/27/2012
B00967-3	TRUCPARCO	Purchase of Truck Starters & Alternators	\$27,187.50	MP1347	1/22/2007	2/1/2010	1/31/2011	N/A
B00967-4	TRUCPARCO	Purchase of Truck Starters & Alternators	\$10,000.00	MP1347	1/22/2007	2/1/2011	1/31/2012	N/A
B01102-2	TRUCPARCO	Purchase of Misc Truck Parts	\$40,000.00	MP1516	5/8/2008	5/1/2010	4/30/2011	N/A
B01102-3	TRUCPARCO	Purchase of Misc Truck Parts	\$35,000.00	MP1516	5/8/2008	5/1/2011	4/30/2012	N/A
B01102-4	TRUCPARCO	Purchase of Misc Truck Parts	\$60,000.00	MP1516	5/8/2008	5/1/2012	6/30/2013	N/A
B01329	TRUCPARCO	Purchase of Truck Starters & Alternators	\$25,000.00	MD1757	1/31/2011	2/1/2011	1/31/2012	N/A
B01329-1	TRUCPARCO	Purchase of Truck Starters & Alternators	\$25,000.00	MD1757	1/31/2011	2/1/2012	1/31/2013	N/A
B01329-2	TRUCPARCO	Purchase of Truck Starters & Alternators	\$25,000.00	MD1757	1/31/2011	2/1/2013	1/31/2014	N/A
B00972-4	VERIZON WIRELESS	Purchase of Aircard Cellphone Services for USAR	\$8,000.00	N/A	N/A	12/1/2010	11/30/2011	N/A
B00972-5	VERIZON WIRELESS	Purchase of Aircard Cellphone Services for USAR	\$23,000.00	N/A	N/A	12/1/2011	11/30/2012	N/A
B00972-6	VERIZON WIRELESS	Purchase of Aircard Cellphone Services for USAR	\$23,000.00	N/A	N/A	12/1/2012	11/30/2013	N/A
B01085-1	VERIZON WIRELESS	Purchase Mobile Phone Access Services	\$291,500.00	LA-5274520	N/A	3/1/2009	3/31/2011	11/20/2008
B01085-2	VERIZON WIRELESS	Purchase Mobile Phone Access Services	\$261,500.00	LA-5274520	N/A	4/1/2011	6/29/2011	N/A
B01341	VERIZON WIRELESS	Purchase Equipment and Wireless Services	\$261,500.00	WSCA contact 7-10-70-16	N/A	11/1/2010	10/31/2011	N/A
B01341-1	VERIZON WIRELESS	Purchase Equipment and Wireless Services	\$261,500.00	WSCA contact 7-10-70-16	N/A	11/1/2011	10/31/2012	N/A
B00927-4	VERIZON, INC.	Purchase of Utility Telephone Service	\$7,000.00	County/ATT contract S0000000029	7/1/1996	3/1/2010	2/28/2011	N/A
B00927-5	VERIZON, INC.	Purchase of Utility Telephone Service	\$7,000.00	County/ATT contract S0000000029	7/1/1996	3/1/2011	2/28/2012	N/A
B01255-1	VERIZON, INC.	Purchase of Maintenance and Support Services	\$42,060.00	MP1681	9/2/2009	7/1/2011	6/30/2012	N/A

PO Number	Vendor Name	Description of Service or Commodity	Annual BO Amt	Bid/RFP #	Date of Bid	Contract Start Date	Contract End Date	Executive Committee Approval
B01255-2	VERIZON, INC.	Purchase of Maintenance and Support Services	\$40,928.32	MP1681	9/2/2009	7/1/2012	6/30/2013	N/A
B01255-3	VERIZON, INC.	Purchase of Maintenance and Support Services	\$42,906.90	MP1681	9/2/2009	7/1/2013	6/30/2014	N/A
B01256-1	VERIZON, INC.	Purchase of Maintenance and Support Services	\$30,967.44	MP1681	9/2/2009	7/1/2011	6/30/2012	N/A
B01256-2	VERIZON, INC.	Purchase of Maintenance and Support Services	\$30,967.44	MP1681	9/2/2009	7/1/2012	6/30/2013	N/A
B01098-2	WILLIAM S & MAHER INC	Electrical Systems Repair and Maintenance	\$75,000.00	MP1500	4/30/2008	5/1/2010	4/30/2011	N/A
B01299	WILLIAM S & MAHER INC	Purchase of Communication Cabling	\$50,000.00	MP1624	3/3/2009	7/1/2010	6/30/2011	N/A
B01299-1	WILLIAM S & MAHER INC	Purchase of Communication Cabling	\$50,000.00	MP1624	3/3/2009	7/1/2011	6/30/2012	N/A
B01299-2	WILLIAM S & MAHER INC	Purchase of Communication Cabling	\$80,000.00	MP1624	3/3/2009	7/1/2012	6/30/2013	N/A
B01356	WILLIAM S & MAHER INC	Electrical Systems Repair and Maintenance	\$100,000.00	MP1500	4/30/2008	5/1/2011	4/30/2012	N/A
B01356-1	WILLIAM S & MAHER INC	Electrical Systems Repair and Maintenance	\$95,000.00	MP1500	4/30/2008	5/1/2012	4/30/2013	N/A
B01356-2	WILLIAM S & MAHER INC	Electrical Systems Repair and Maintenance	\$95,000.00	MP1500	4/30/2008	5/1/2013	4/30/2014	N/A
B00694-6	XEROX CORPORATION	Xerox Copier Leases for RFOTC	\$115,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2010	3/31/2011	N/A
B00694-7	XEROX CORPORATION	Xerox Copier Leases for RFOTC	\$115,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2011	3/31/2012	N/A
B00694-8	XEROX CORPORATION	Xerox Copier Leases for RFOTC	\$115,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2012	3/31/2013	N/A
B00694-9	XEROX CORPORATION	Xerox Copier Leases for RFOTC	\$115,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2013	3/31/2014	N/A
B00729-5	XEROX CORPORATION	Xerox Copier Leases for Fire Stations	\$75,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2010	3/31/2011	N/A
B00729-6	XEROX CORPORATION	Xerox Copier Leases for Fire Stations	\$70,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2011	3/31/2012	N/A
B00729-7	XEROX CORPORATION	Xerox Copier Leases for Fire Stations	\$70,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2012	3/31/2013	N/A
B00729-8	XEROX CORPORATION	Xerox Copier Leases for Fire Stations	\$70,000.00	County of LA MAS-IS-42663-10	N/A	4/1/2013	3/31/2014	N/A
B01278	XEROX CORPORATION	Purchase of Xerox Paper	\$31,000.00	MP1712	3/24/2010	4/1/2010	3/31/2011	N/A
B01278-1	XEROX CORPORATION	Purchase of Xerox Paper	\$31,000.00	MP1712	3/24/2010	4/1/2011	3/31/2012	N/A
B01278-2	XEROX CORPORATION	Purchase of Xerox Paper	\$31,000.00	MP1712	3/24/2010	4/1/2012	3/31/2013	N/A
B01129-2	ZOLL MEDICAL CORP	Purchase of Defibrillation, Electrodes, and Cables	\$320,000.00	MP1545	7/16/2008	8/1/2010	7/31/2011	Yes, 1/28/10
B01129-3	ZOLL MEDICAL CORP	Purchase of Defibrillation, Electrodes, and Cables	\$320,000.00	MP1545	7/16/2008	8/1/2011	7/31/2012	Yes, 1/28/10
B01129-4	ZOLL MEDICAL CORP	Purchase of Defibrillation, Electrodes, and Cables	\$320,000.00	MP1545	7/16/2008	8/1/2012	7/31/2013	Yes, 1/28/10
B01131-2	ZOLL MEDICAL CORP	Purchase of ECG Monitoring Electrodes	\$200,000.00	MP1546	7/17/2008	8/1/2010	7/31/2011	Yes, 1/28/10
B01131-3	ZOLL MEDICAL CORP	Purchase of ECG Monitoring Electrodes	\$200,000.00	MP1546	7/17/2008	8/1/2011	7/31/2012	Yes, 1/28/10
B01131-4	ZOLL MEDICAL CORP	Purchase of ECG Monitoring Electrodes	\$200,000.00	MP1546	7/17/2008	8/1/2012	7/31/2013	Yes, 1/28/10

Stephen M. Wontrobski
27132 Sombras
Mission Viejo, CA 92692

ORANGE COUNTY
FIRE AUTHORITY

14 JAN 30 AM 10:40

CLERK OF THE AUTHORITY

January 27, 2014

Ms. Sherry Wentz
Orange County Fire Authority
1 Fire Authority Road
Irvine, CA 92602

Ref: Public Document Review Request
LSL OCFA Procurement Department Audit

Dear Ms. Wentz:

This is a Public Document Review Request.

I wish to review all files and any and all documents related to the LSL 2013 Audit of the OCFA Procurement Department. A copy of the audit report was issued to the OCFA Board of Directors last year.

With regard to this review request, I wish to review all files and any and all documents related to the LSL 2013 Audit of the OCFA Procurement Department, including but not limited to:

- a) Letters
- b) Memos
- c) Reports
- d) Audit engagement letter
- e) LSL accounting work papers, notes, and reports (drafts, as well as, final report). These documents may be in the possession of LSL. However, they are your property. I wish to review them, whether or not they are at your headquarters facility.
- f) Meeting notes
- g) E-mails
- h) Employee diary notes
- i) Telephone notes, and all other notes, whether on computers, handwritten, or typed
- j) Audio tapes
- k) Requests for bids or proposals
- l) LSL audit bids or proposals
- m) Bid or proposal evaluations
- n) Information contained on computers
- o) All correspondence between the OCFA and LSL
- p) Scope of audit assignment documents
- q) Any other documentation related in any manner whatsoever to the LSL OCFA Procurement Department Audit

I thank you for your assistance in this review.

Sincerely,



Stephen M. Wontrobski

:ocfapubdoc1-29-14lsaudit



ORANGE COUNTY FIRE AUTHORITY

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

www.ocfa.org

February 10, 2014

Stephen M. Wontrobski
27132 Sombras
Mission Viejo, CA 92692

Subject: Response to Request for Public Document Review dated 01/27/14

Dear Mr. Wontrobski:

The Orange County Fire Authority ("OCFA") is in receipt of your request for public records dated January 27, 2014, which was received by our office on January 30, 2014. This letter serves as notification of OCFA's intent to comply with your request for public records, pursuant to the California Public Records Act (the "Act") (Government Code §6250 et seq.).

The OCFA is in the process of evaluating the records request and determining the best method in which to provide you the ability to review the responding public records in its possession. However, notice is hereby given that the time limit to make this determination under the code shall be extended by fourteen (14) days from February 11 to February 27, 2014 (there are two legal holidays within this time period), pursuant to Government Code section 6253, for the following reason:

Your request contains 17 separate request categories. There is a need to search for, collect, and appropriately examine the voluminous amount of separate and distinct records and/or data that are demanded in your single request.

To date, the OCFA has several departments and divisions engaged in gathering responsive documentation.

Upon completion of your request, we will contact you, so arrangements may be made for you to review the responsive documents, during normal business hours.

Sincerely,

A handwritten signature in cursive script that reads "Sherry A. F. Wertz".

Sherry A. F. Wertz, CMC
Clerk of the Authority

cc: David Kendig, OCFA General Counsel
OCFA Executive Management
Kirk Wells, OCFA Division Chief



ORANGE COUNTY FIRE AUTHORITY

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

www.ocfa.org

February 27, 2014

Stephen M. Wontrobski
27132 Sombras
Mission Viejo, CA 92692

Subject: Response to Request for Public Document Review dated 01/27/14

Dear Mr. Wontrobski:

The Orange County Fire Authority ("OCFA") has gathered all responsive documents to your request for information pertaining to "LSL 2013 Audit of the OCFA Procurement Department." Please contact our office to make an appointment during our normal business hours to review these documents. You may call us at (949) 461-6040 to make your appointment.

Sincerely,

A handwritten signature in cursive script that reads "Sherry A. E. Wentz".

Sherry A.E. Wentz, CMC
Clerk of the Authority

cc: David Kendig, OCFA General Counsel
OCFA Executive Management
Kirk Wells, OCFA Division Chief



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA
- Gary A. Cates, CPA
- Michael D. Mangold, CPA
- David S. Myers, CPA

February 26, 2014

Orange County Fire Authority
 Sherry A.F. Wentz
 Clerk of the Authority
 1 Fire Authority Road
 Irvine, CA 92602

RE: Stephen M Wontrobski's public document request

We are in receipt of your request pursuant to Stephen M Wontrobski's public document request for "LSL accounting work papers, notes, and reports (drafts, as well as, final report)."

With respect to accounting work papers and notes:

It is our firm's policy not to release this information. The work papers represent programs, checklists, techniques, and approach that are proprietary information. Release of this information could be detrimental to our firm's competitive advantage in the market place if made publicly available. Development of these approaches represent years of knowledge, resources, and significant capital investment. In addition, making this information available could jeopardize the quality and "surprise" element associated with audit that is so important. It is our feeling that it would not be in the best interest of OCFA or the public to make this information available due to the possible negative impacts on audit quality and effectiveness.

In addition, as a firm of Certified Public Accountants we comply with the AICPA Code of Professional Conduct. Under rule 501-1 – *Response to Requests by Clients and Former Clients for Records*, it is clear that member's working papers (LSL's working papers) are the member's property (LSL's property) and need not be provided to the client unless agreed otherwise.

We have also been provided a copy of the professional services agreement LSL entered into with the OCFA dated March 22, 2012 in which under section 7.3 Ownership of Documents, it states "All drawings, specifications, reports, records, documents and other materials prepared by Firm in performance of this Agreements shall be the property of OCFA and shall be delivered to OCFA upon request of the Contract Officer or upon the termination of this Agreement". It is LSL's understanding that this does not specify nor intend to specify "work papers".



Orange County Fire Authority
Sherry A.F. Wentz
Clerk of the Authority
February 26, 2014

As referenced in our engagement letter with OCFA dated July 2, 2013, it is noted that, "The audit documentation for this engagement is the property of Lance, Soll, and Lunghard CPAs LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to California Society of Certified Public Accountants or American Institute of Certified Public Accountants or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lance, Soll, and Lunghard CPAs LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies."

While we respectfully decline to provide our work papers, we would be willing to schedule a meeting with Mr. Wontrobski to answer any questions he may have about our engagement with the OCFA and hear any suggestions he may have to approach our FY 13-14 plan. It is our opinion that we share a common goal to continue to improve the OCFA organization and we welcome this meeting as an exchange of information in a constructive environment to benefit the OCFA.

With respect to reports (drafts, as well as, final report):

We have provided this information to the OCFA throughout the year and believe this information is in the possession of the OCFA and can be provided pursuant to this request. If however, the OCFA is not in possession of the reports, we would be happy to forward this information to you again.

If you should have any additional questions, please feel free to contact Bryan Gruber, Partner, at (714) 672-0022.

Very truly yours,

Bryan S. Gruber, Partner
LANCE, SOLL & LUNGHARD, LLP

**ORANGE COUNTY FIRE AUTHORITY
PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT FOR PROFESSIONAL SERVICES ("Agreement") is made and entered into this 22nd day of March, 2012, by and between the Orange County Fire Authority, a public agency, hereinafter referred to as "OCFA", and Lance, Soll & Lunghard, a Limited Liability Partnership, hereinafter referred to as "Firm".

RECITALS

WHEREAS, OCFA requires the services of a firm to provide internal control agreed-upon procedures, hereinafter referred to as "Project"; and

WHEREAS, Firm has submitted to OCFA a proposal dated January 17, 2012 in response to request for proposal (RFP) dated December 5, 2011, a copy of which is attached hereto as Exhibit "A" and is incorporated herein by this reference; and

WHEREAS, based on its experience and reputation, Firm is qualified to provide the necessary services for the Project and desires to provide such services; and

WHEREAS, OCFA desires to retain the services of Firm for the Project.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, OCFA agrees to employ and does hereby employ Firm and Firm agrees to provide professional services as follows:

AGREEMENT

1. PROFESSIONAL SERVICES

1.1 Scope of Services.

In compliance with all terms and conditions of this Agreement, Firm shall provide those services specified in the "Proposal" attached hereto as Exhibit "A." Firm warrants that all services shall be performed in a competent, professional and satisfactory manner in accordance with all standards prevalent in the industry. In the event of any inconsistency between the terms contained in Exhibit "A" and the terms set forth in the main body of this Agreement, the terms set forth in the main body of this Agreement shall govern.

1.2 Compliance with Law.

All services rendered hereunder shall be provided in accordance with all laws, ordinances, resolutions, statutes, rules, and regulations of OCFA and any federal, state or local governmental agency of competent jurisdiction.

1.3 Licenses and Permits.

Firm shall obtain at its sole cost and expense such licenses, permits and approvals as may be required by law for the performance of the services required by this Agreement.

1.4 Familiarity with Work.

By executing this Agreement, Firm warrants that Firm (a) has thoroughly investigated and considered the work to be performed, (b) has investigated the site of the work and become fully acquainted with the conditions there existing, (c) has carefully considered how the work should be performed, and (d) fully understands the facilities, difficulties and restrictions attending performance of the work under this Agreement. Should the Firm discover any latent or unknown conditions materially differing from those inherent in the work or as represented by OCFA, Firm shall immediately inform OCFA of such fact and shall not proceed with any work except at Firm's risk until written instructions are received from the Contract Officer.

1.5 Care of Work.

Firm shall adopt and follow reasonable procedures and methods during the term of the Agreement to prevent loss or damage to materials, papers or other components of the work, and shall be responsible for all such damage until acceptance of the work by OCFA, except such loss or damages as may be caused by OCFA's own negligence.

1.6 Additional Services.

Firm shall perform services in addition to those specified in the Proposal when directed to do so in writing by the Contract Officer, provided that Firm shall not be required to perform any additional services without compensation. Any additional compensation not exceeding ten percent (10%) of the original Agreement sum must be approved in writing by the Contract Officer. Any greater increase must be approved in writing by Jim Ruane, Finance Manager/Auditor.

2. TIME FOR COMPLETION

The time for completion of the services to be performed by Firm is an essential condition of this Agreement. Firm shall prosecute regularly and diligently the work of this Agreement according to the schedules set forth in Firm's proposal. Firm shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of Firm. Delays shall not entitle Firm to any additional compensation regardless of the party responsible for the delay.

3. COMPENSATION OF FIRM

3.1 Compensation of Firm.

For the services rendered pursuant to this Agreement, Firm shall be compensated and reimbursed, in accordance with the terms set forth in Exhibit "A," in an amount not to exceed \$96,740 for a three-year period from FY 2012-13 through FY 2014-15.

3.2 Method of Payment.

In any month in which Firm wishes to receive payment, Firm shall no later than the first working day of such month, submit to OCFA in the form approved by OCFA's Director of Finance, an invoice for services rendered prior to the date of the invoice. OCFA shall pay Firm for all expenses stated thereon which are approved by OCFA consistent with this Agreement, within thirty (30) days of receipt of Firm's invoice.

3.3 Changes.

In the event any change or changes in the work is requested by OCFA, the parties hereto shall execute an addendum to this Agreement, setting forth with particularity all terms of such addendum, including, but not limited to, any additional fees. Addenda may be entered into:

A. To provide for revisions or modifications to documents or other work product or work when documents or other work product or work is required by the enactment or revision of law subsequent to the preparation of any documents, other work product or work;

B. To provide for additional services not included in this Agreement or not customarily furnished in accordance with generally accepted practice in Firm's profession.

3.4 Appropriations.

This Agreement is subject to and contingent upon funds being appropriated therefore by the OCFA Board of Directors for each fiscal year covered by the Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to OCFA.

4. PERFORMANCE SCHEDULE

4.1 Time of Essence.

Time is of the essence in the performance of this Agreement.

4.2 Schedule of Performance.

All services rendered pursuant to this Agreement shall be performed within the time periods prescribed in Firm's proposal, attached hereto as Exhibit "A". The extension of any time period specified in Exhibit "A" must be approved in writing by the Contract Officer.

4.3 Force Majeure.

The time for performance of services to be rendered pursuant to this Agreement may be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Firm, including, but not restricted to, acts of God or of a public enemy, acts of the government, fires, earthquakes, floods, epidemic, quarantine restrictions, riots, strikes, freight embargoes, and unusually severe weather if the Firm shall within ten (10) days of the commencement of such condition notify the Contract Officer who shall thereupon ascertain the facts and the extent of any necessary delay, and extend the time for performing the services for the period of the enforced delay when and if in the Contract Officer's judgment such delay is justified, and the Contract Officer's determination shall be final and conclusive upon the parties to this Agreement.

4.4 Term.

Unless earlier terminated in accordance with Section 8.5 of this Agreement, this Agreement shall continue in full force and effect for three (3) years from the date hereof.

5. COORDINATION OF WORK

5.1 Representative of Firm.

The following principal of the Firm is hereby designated as being the principal and representative of Firm authorized to act in its behalf with respect to the work specified herein and make all decisions in connection therewith: Bryan S. Gruber, Partner.

It is expressly understood that the experience, knowledge, capability and reputation of the foregoing principal is a substantial inducement for OCFA to enter into this Agreement. Therefore, the foregoing principal shall be responsible during the term of this Agreement for directing all activities of Firm and devoting sufficient time to personally supervise the services hereunder. The foregoing principal may not be changed by Firm without the express written approval of OCFA.

5.2 Contract Officer.

The Contract Officer shall be Jim Ruane, Finance Manager/Auditor, unless otherwise designated in writing by OCFA. It shall be the Firm's responsibility to keep the Contract Officer fully informed of the progress of the performance of the services and Firm shall refer any decisions that must be made by OCFA to the Contract Officer. Unless otherwise specified herein, any approval of OCFA required hereunder shall mean the approval of the Contract Officer.

5.3 Prohibition Against Subcontracting or Assignment.

The experience, knowledge, capability and reputation of Firm, its principals and employees, were a substantial inducement for OCFA to enter into this Agreement. Therefore, Firm shall not contract with any other entity to perform in whole or in part the services required hereunder without the express written approval of OCFA. In addition, neither this Agreement nor any interest herein may be assigned or transferred, voluntarily or by operation of law, without the prior written approval of OCFA.

5.4 Independent Contractor.

Neither OCFA nor any of its employees shall have any control over the manner, mode or means by which Firm, its agents or employees, perform the services required herein, except as otherwise set forth herein. Firm shall perform all services required herein as an independent Firm of OCFA and shall remain at all times as to OCFA a wholly independent contractor with only such obligations as are consistent with that role. Firm shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of OCFA.

6. INSURANCE, INDEMNIFICATION AND BONDS

6.1 Insurance.

Firm shall procure and maintain, at its cost, and submit concurrently with its execution of this Agreement, public liability and property damage insurance against all claims for injuries against persons or damages to property resulting from Firm's performance under this Agreement. Firm shall also carry workers' compensation insurance in accordance with California worker's compensation laws. Such insurance shall be kept in effect during the term of this Agreement and shall not be cancelable without thirty (30) days written notice to OCFA of any proposed cancellation. OCFA's certificate evidencing the foregoing and designating OCFA as an additional named insured shall be delivered to and approved by OCFA prior to commencement of the services hereunder. The procuring of such insurance and the delivery of policies or certificates evidencing the same shall not be construed as a limitation of Firm's obligation to indemnify OCFA, its Firms, officers and employees. The amount of insurance required hereunder shall include comprehensive general liability, personal injury and automobile liability with limits of at least one million (\$1,000,000) combined

single limit coverage per occurrence and professional liability coverage with limits of at least one million (\$1,000,000). Coverage shall be provided by admitted insurers with an A.M. Best's Key Rating of at least A-VII. If Firm provides claims made professional liability insurance, Firm shall also agree in writing either (1) to purchase tail insurance in the amount required by this Agreement to cover claims made within three years of the completion of Firm's services under this Agreement, or (2) to maintain professional liability insurance coverage with the same carrier in the amount required by this Agreement for at least three years after completion of Firm's services under this Agreement. The Firm shall also provide evidence to OCFA of the purchase of the required tail insurance or continuation of the professional liability policy.

6.2 Indemnification.

The Firm shall defend, indemnify and hold harmless OCFA, its officers and employees, from and against any and all actions, suits, proceedings, claims, demands, losses, costs, and expenses, including legal costs and attorneys' fees, for injury to or death of person or persons, for damage to property, including property owned by OCFA, and for errors and omissions committed by Firm, its officers, employees and agents, arising out of or related to Firm's performance under this Agreement, except for such loss as may be caused by OCFA's own negligence or that of its officers or employees.

7. RECORDS AND REPORTS

7.1 Reports.

Firm shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement as the Contract Officer shall require.

7.2 Records.

Firm shall keep such books and records as shall be necessary to properly perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services. The Contract Officer shall have full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit and make records and transcripts from such records.

7.3 Ownership of Documents.

All drawings, specifications, reports, records, documents and other materials prepared by Firm in the performance of this Agreement shall be the property of OCFA and shall be delivered to OCFA upon request of the Contract Officer or upon the termination of this Agreement, and Firm shall have no claim for further employment or additional compensation as a result of the exercise by OCFA of its full rights or ownership of the documents and materials hereunder. Firm may retain copies of such

documents for its own use. Firm shall have an unrestricted right to use the concepts embodied therein.

7.4 Release of Documents.

All drawings, specifications, reports, records, documents and other materials prepared by Firm in the performance of services under this Agreement shall not be released publicly without the prior written approval of the Contract Officer.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law.

This Agreement shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Orange, State of California, or any other appropriate court in such county, and Firm covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Waiver.

No delay or omission in the exercise of any right or remedy of a non-defaulting party on any default shall impair such right or remedy or be construed as a waiver. No consent or approval of OCFA shall be deemed to waiver or render unnecessary OCFA's consent to or approval of any subsequent act of Firm. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

8.3 Rights and Remedies are Cumulative.

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

8.4 Legal Action.

In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain injunctive relief, a declaratory judgment, or any other remedy consistent with the purposes of this Agreement.

8.5 Termination Prior to Expiration of Term.

OCFA reserves the right to terminate this Agreement at any time, with or without cause, upon thirty (30) days written notice to Firm, except that where termination is due to the fault of the Firm, OCFA may terminate upon delivery of written notice to Firm, or such other time as is specified in the notice. Upon receipt of the notice of termination, Firm shall immediately cease all services hereunder except such as may be specifically approved by the Contract Officer. Firm shall be entitled to compensation for all services rendered prior to receipt of the notice of termination and for any services authorized by the Contract Officer thereafter.

Firm may terminate this Agreement, with or without cause, upon thirty (30) days written notice to OCFA.

8.6 Termination for Default of Firm.

If termination is due to the failure of the Firm to fulfill its obligations under this Agreement, OCFA may take over the work and prosecute the same to completion by contract or otherwise, and the Firm shall be liable to the extent that the total cost for completion of the services required hereunder exceeds the compensation herein stipulated, provided that OCFA shall use reasonable efforts to mitigate damages, and OCFA may withhold any payments to the Firm for the purpose of set-off or partial payment of the amounts owed to OCFA.

8.7 Attorneys' Fees.

If either party commences an action against the other party arising out of or in connection with this Agreement or its subject matter, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of suit from the losing party.

9. OCFA OFFICERS AND EMPLOYEES; NON-DISCRIMINATION

9.1 Non-Liability of OCFA Officers and Employees.

No officer or employee of OCFA shall be personally liable to the Firm, or any successor-in-interest, in the event of any default or breach by OCFA or for any amount which may become due to the Firm or its successor, or for breach of any obligation of the terms of this Agreement.

9.2 Covenant Against Discrimination.

Firm covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination or segregation in the performance of or in connection with this Agreement regarding any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry. Firm shall take affirmative action to insure that applicants

and employees are treated without regard to their race, color, creed, religion, sex, marital status, national origin, or ancestry.

10. MISCELLANEOUS PROVISIONS

10.1 Confidentiality.

Information obtained by Firm in the performance of this Agreement shall be treated as strictly confidential and shall not be used by Firm for any purpose other than the performance of this Agreement without the written consent of OCFA.

10.2 Notice.

Any notice, demand, request, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by pre-paid, first-class mail to the address set forth below. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated forty-eight (48) hours from the time of mailing if mailed as provided in this Section.

To OCFA:

Orange County Fire Authority
Attention: Jim Ruane, Finance
Manager/Auditor
1 Fire Authority Road
Irvine, CA 92602

To Firm:

Lance, Soll & Lunghard, LLP
Attention: Bryan S. Gruber, Partner
203 North Brea Boulevard Ste 203
Brea, CA 92821

10.2 Integrated Agreement.

This Agreement contains all of the agreements of the parties and cannot be amended or modified except by written agreement.

10.3 Amendment.

This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

10.4 Severability.

In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall be declared invalid or unenforceable by valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Agreement, which shall be interpreted to carry out the intent of the parties hereunder.

10.5 Corporate Authority.

The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by so executing this Agreement the parties hereto are formally bound to the provisions of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates stated below.

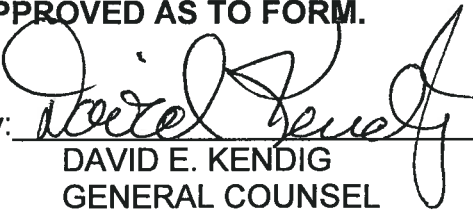
"OCFA"

ORANGE COUNTY FIRE AUTHORITY

Date: 03/22/12

By: 
Chairman, Board of Director

APPROVED AS TO FORM.

By: 
DAVID E. KENDIG
GENERAL COUNSEL

ATTEST:


Sherry A.F. Wentz
Clerk of the Board

Date: 3/22/12

"FIRM"

Lance, Soll & Lunghard, LLP

Date: 3/22/2012


By: 
Bryan S. Gruber, Partner

Exhibit A

RFP is on file in the Office of the Clerk.



- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

Brandon W. Burrows, CPA, Retired

July 2, 2013

Mr. Jim Ruane
 Finance Manager
 Orange County Fire Authority
 1 Fire Authority Road
 Irvine, CA 92602

We are pleased to confirm our understanding of the services we are to provide the Orange County Fire Authority (the Authority) for the year ended June 30, 2013. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the Authority as of and for the year ended June 30, 2013. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Authority's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary comparison schedules.
- 3) GASB – required supplementary pension
- 4) OPEB
- 5) Infrastructure information under modified reporting

We have also been engaged to report on supplementary information other than RSI that accompanies the Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of expenditures of federal awards.
- 2) Combining statements.
- 3) Individual fund statements.



The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Supporting schedules.
- 2) Statistical schedules.
- 3) Introductory section.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we



retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to three times the amount of our fees for this engagement, except to the extent determined to result from our gross negligence or willful misconduct.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary



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schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on the first day of fieldwork.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

During the course of our engagement, we will request information and explanations from management regarding the company's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement we will require, as a precondition to the



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issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management.

Accordingly, false representation could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the Authority's financial statements that we may fail to detect as a result of knowing misrepresentations that are made to us by management.

In addition, the Authority further agrees to indemnify and hold us harmless for any liability and all reasonable costs, including legal fees, that we may incur as a result of the services performed under this engagement in the event there are knowing misrepresentations made to us by any member of the Authority's management.

Because there are inherent difficulties in recalling or preserving information as the period after an engagement increases, you agree that, notwithstanding the statute of limitations of the State of California, any claim based on this engagement must be commenced within 12 months after performance of our service, unless you have previously provided us with a written notice of a specific defect in our services that forms the basis of the claim.

You acknowledge that as a condition of our agreement to perform an audit, you agree to the best of your knowledge and belief to be truthful, accurate, and complete in the representations you make to us during the course of the audit and in the written representations provided to us at the completion of the audit.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our



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audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of these procedures will be to express an opinion on the Authority compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we



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maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing. We will schedule the engagement based in part on the availability of your key personnel, deadlines, and working conditions. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If for whatever reason your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Lance, Soll, and Lunghard CPAs LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to California Society of Certified Public Accountants or American Institute of Certified Public Accountants or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lance, Soll, and Lunghard CPAs LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Society of Certified Public Accountants or American Institute of Certified Public Accountants, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to issue our reports by the date previously agreed to by management. Richard Kikuchi, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fees for these services are outlined in our contract with you. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be



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suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

If any disputes, controversy, or claim arises, either party may, upon written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Rules of the American Arbitration Association or such other neutral facilitator acceptable to both parties. Both parties will exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute or controversy.

Each party may disclose any facts to the other party or to the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations. The mediator may not act as a witness for either party in any subsequent arbitration between parties.

The mediation proceedings will conclude within sixty days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any will be borne equally by the parties.

If any dispute, controversy, or claim cannot be resolved by mediation, then the dispute, controversy, or claim will be settled by arbitration in accordance with the Rules of the American Arbitration Association (AAA) for the Resolution of Accounting Firm Disputes. No prehearing discovery will be permitted unless specifically authorized by the arbitration panel. The arbitration hearings will take place in the Authority closest to the place where this agreement was performed in which the AAA maintains an office, unless the parties agree to a different locale.

The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. All reasonable costs of both parties, as determined by the arbitrators, including (1) the fees and expenses of the AAA and the arbitrators and (2) the costs, including reasonable attorneys' fees, necessary to confirm the award in court, will be borne entirely by the non-prevailing party (to be designated by the arbitration panel in the award) and may not be allocated between the parties by the arbitration panel.

Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

Government Auditing Standards require audit organizations to provide a copy of their most recent external peer review report and any subsequent review reports during the period of the contract. Our 2010 peer review accompanies this letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.



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We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Lane, Soll & Loughard, LLP

RESPONSE:

This letter correctly sets forth the understanding of Orange County Fire Authority.

Management signature: _____

Title: _____

Date: _____