



LAURA DOUD

June 27, 2016

John Gross
Director Department of Financial Management
333 West Ocean Boulevard – 6th Floor
Long Beach, CA 90802

Dear Mr. Gross,

The Department of Financial Management (Department) requested the City Auditor's Office to perform an independent Agreed-Upon Procedures (AUP) engagement to determine procedure-specific compliance with the Underground Storage Tank (UST) Compliance Program as of June 30, 2015. A full compliance audit has been performed triennially with the most recent one completed for the prior year ending June 30, 2014. For years in which a full compliance audit is not performed, both the Department and the City Auditor's Office have agreed that an AUP engagement is sufficient to meet the audit requirements of the Program. This agreed-upon procedures engagement was conducted in accordance with U.S. Generally Accepted Government Auditing Standards.

The UST Program was established and implemented as a result of the Consent Judgment and Permanent Injunction (Consent Judgment) filed on January 21, 2010 between the California State Water Resources Control Board (State Water Board) and the City of Long Beach (City) with an expiration that was set for January 2015. In response to the Consent Judgment, the City implemented the UST Program with the intent to provide structure and outline specific procedures to ensure the City's UST sites are operated in an environmentally responsible manner and in accordance with applicable State and Federal laws.

On December 23, 2014, the State Water Board sought to enforce the Consent Judgment and assess the suspended penalty of \$2.5 million due to violations they observed at City UST sites. The City paid the suspended penalty on April 8, 2015, as ordered by the trial court. On December 4, 2015, the City and the State Water Board elected to settle all pending disputes and agreed to terminate the Consent Judgment.

The Department and the City Auditor's Office agreed prior to the start of the engagement that the procedures enumerated below reflect the critical components of the UST Program; and therefore, compliance test work was only performed on the procedures listed herein. The sufficiency of the procedures and the UST Program are solely the responsibility of management. Consequently, we make no representation regarding the sufficiency of the procedures described below.

Our procedures and results are as follows:

Procedures 1. Compliance Issue Resolution

Fleet Services Bureau Administration – Judgmentally select five locations to review the Site Repair Ticket (SRT) and Corrective Action Report (CAR) binders maintained at Fleet Services Bureau Administration. From the binders we will randomly select SRTs and CARs to ensure: 1) SRTs were completed accurately and entered into the Project Tracker System timely; 2) the Fleet Supervisor or Project Manager prepared a corresponding CAR within 24 hours of receipt of the SRT; 3) progress of correcting the condition was tracked on the Compliance Issue Tracking Report (CITR) and reviewed monthly at the UST Task Force meeting; and 4) the Project Manager and Fleet Supervisor certified the site as Compliant within three business days by completing the UST Site Certification form (City of Long Beach UST Compliance Program, rev. 3.3 – Section V, Part 1).

Results: As a result of the procedures above, we noted the following areas of non-compliance:

- The Fleet supervisor or Project Manager did not always prepare a corresponding CAR within 24 hours of receipt of the SRT for two out of the 48 CARs reviewed (4%).
- Five out of the 48 CARs were not closed within two business days of repair completion (10%).
- When all issues associated with the site are resolved, the Project Manager or Fleet Supervisor have three business days to certify the site as “Compliant”. We found that in 18 out of the 48 CARs reviewed, the Site Certification Forms were not completed within three business days of the CAR being closed (38%). These 18 CARs occurred on two different weekends during October to November 2014. Staff indicated that due to the high volume of CARs to be closed over those weekends, those sites could not be returned to compliance within the three business day deadline.

Procedure 2. Semi-Weekly Site Inspections

Fleet Services Bureau Administration – Judgmentally select five locations. For each location, we will randomly select two months and review the Semi-Weekly UST inspection log books and corresponding Semi-Weekly UST Site Inspection Checklists to ensure inspections were completed and documented appropriately on a semi-weekly basis (City of Long Beach UST Compliance Program, rev 3.3, Section V, Part 2A and Appendix H).

Results: No exceptions noted as a result of our procedures.

Procedure 3. Monthly Site Inspections

Fleet Services Bureau Administration – Judgmentally select five locations. For each location, obtain and review Designated UST Operator Monthly Visual Inspection checklists to ensure inspections were completed and documented appropriately on a monthly basis (City of Long Beach UST Compliance Program, rev 3.3, Section V, Part 2B and Appendix I).

Results: No exceptions noted as a result of our procedures.

Procedure 4. Offsite Documentation

Fleet Services Bureau Administration – Obtain and review UST Compliance Files to ensure original documents are appropriately maintained for the five judgmentally selected UST locations. (City of Long Beach UST Compliance Program, rev 3.3, Section V, Part 7B and Appendix K).

Results: No exceptions noted as a result of our procedures.

Procedure 5. Onsite Documentation

UST Sites – Judgmentally select a sample of five locations and perform field visits to review UST Compliance Binders and ensure copies of key documents are appropriately maintained on site (City of Long Beach UST Compliance Program, Section V, Part 7A and Appendix J). Additional documents to review onsite: 1) Secondary Containment Test Results and 2) Facility Employee Training Log. These additional documents should be maintained onsite for monthly Designated Operator Site Inspections [Section V, Part 2B, (h) and (i)].

Results: No exceptions noted as a result of our procedures.

Procedure 6. Training

Fleet Service Bureau Administration – Obtain a list of all employees as of June 30, 2015, sorted by respective training groups as defined in Section VI of the City of Long Beach UST Compliance Program. Review documentation to ensure employees attended the appropriate training annually (City of Long Beach UST Compliance Program, Section VI). In addition, we will follow up on outstanding issues, if any, from prior audits.

Results: No exceptions noted as a result of our procedures.

This was an Agreed-Upon Procedures engagement. We did not conduct an audit, the objective of which would be the expression of an opinion on the City of Long Beach's compliance with the entire UST Compliance Program. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Other areas noted, not significant to the AUP procedures, were communicated to management in a separate letter also dated June 27, 2016.

This report is intended solely for the use of the City of Long Beach, and is not intended to be and should not be used by anyone other than this specified party.

We thank the Department staff for their cooperation during this engagement.

Sincerely,



Laura L. Doud, CPA
City Auditor
City Auditor's Office

cc: Mayor Robert Garcia
City Council Members
Charles Parkin, City Attorney
Patrick H. West, City Manager
Dan Berlenbach, Fleet Services



City of Long Beach
Working Together to Serve

Memorandum

Date: June 22, 2016

To: Laura Doud, City Auditor

From: John Gross, Director of Financial Management

Subject: **Response to Underground Storage Tank (UST) Agreed Upon Procedures Engagement**

A handwritten signature in black ink, appearing to be "John Gross", written over the "From:" line.

Thank you for conducting this engagement at our request. It is appreciated and has been very helpful.

The Department of Financial Management and the Fleet Services Bureau have reviewed the audit management letter and opinion. We concur with the findings. With regard to the increase in site repair tickets, we are confident that the improvements we have implemented, including the inspection that lead to the increase in site repair tickets in the first place, assures a stronger UST program going into the future. With respect to the delay in completing corrective action reports we have provided additional training to ensure timely completion in the future.

Management welcomes the City Auditor's recommendations, appreciates the opportunity to review and has addressed the recommendations through an increase in program staff and concomitant UST expertise.

JG\DB\pd

CC: PATRICK H. WEST, CITY MANAGER
TOM MODICA, ASSISTANT CITY MANAGER
ARTURO SANCHEZ, DEPUTY CITY MANAGER