

County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM

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**To:** Marty Robinson, County Executive Officer **Date:** February 28, 2011  
**From:** Christine L. Cohen  
**Subject:** **AUDIT OF CHANGE IN DEPARTMENT HEAD FOR THE COUNTY EXECUTIVE OFFICE**

We have completed our audit of the change in department head for the County Executive Office (CEO). Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding department head. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

**EXECUTIVE SUMMARY**

Overall, the CEO satisfactorily transferred accountability and administrative functions from the preceding to the succeeding CEO department head. For example, we confirmed that *Statements of Economic Interests* (Form 700) were filed timely by the incoming and outgoing department head. Further, expense reimbursements paid to the prior CEO department head in the months before leaving County service appeared to be appropriate. We also verified that the change fund was properly safeguarded and confirmed that reconciled trust funds and outside bank account balances appeared to be reasonably stated.

However, opportunities were available to better account for departmental assets and improve certain operations. Specifically, we noted that:

- Accountability was not always properly established over fixed assets.
- Trust fund reconciliations were not always prepared as required.
- Notifications were not always prepared and provided to late Form 700 filers as required.
- Fines for late Form 700 filers were not assessed or collected.
- Review of Form 700s was not adequately documented.
- The listing of Form 700 Filing Officials was not complete.

CEO management initiated corrective action to address our findings. Corrective action is planned to be completed by April 1, 2012.

Marty Robinson, County Executive Officer

February 28, 2011

Page 2

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Linda Parks, Chair, Board of Supervisors

Honorable John C. Zaragoza, Vice Chair, Board of Supervisors

Honorable Kathy Long, Board of Supervisors

Honorable Steve Bennett, Board of Supervisors

Honorable Peter C. Foy, Board of Supervisors

County of Ventura  
Office of the Auditor-Controller



AUDIT OF CHANGE IN DEPARTMENT HEAD  
FOR THE COUNTY EXECUTIVE OFFICE

February 28, 2011

Christine L. Cohen  
Auditor-Controller

**AUDIT OF CHANGE IN DEPARTMENT HEAD  
FOR THE COUNTY EXECUTIVE OFFICE**

**TABLE OF CONTENTS**

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	Page
Background.....	1
Scope.....	1
Findings.....	2
1. Fixed Asset Accountability.....	2
2. Trust Fund Reconciliations .....	3
3. Form 700 Responsibilities .....	3
A. Late Filing Notifications .....	3
B. Late Fine Collections .....	4
C. Review Process .....	4
D. Filing Officials Listing .....	5
Auditor's Evaluation of Management Action .....	5

## AUDIT OF CHANGE IN DEPARTMENT HEAD FOR THE COUNTY EXECUTIVE OFFICE

### BACKGROUND

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The County Executive Office (CEO) is accountable to the Board of Supervisors for the general administration and coordination of all County operations and programs. The CEO has direct responsibility for: the preparation of the annual County budget; labor relations; recommendations on state and federal legislation; development and coordination of County administrative operating procedures; providing identification and assistance to departments in the pursuit of state and federal grant opportunities; and conducting analyses of program operations as requested by the Board of Supervisors. The CEO also acts as the County's "Filing Officer" and is responsible for accepting, processing, and filing *Statements of Economic Interests* (Form 700) through the Clerk of the Board of Supervisors.

The outgoing CEO department head, John F. Johnston, retired on March 31, 2008. Marty Robinson was appointed by the Board of Supervisors to replace John F. Johnston as the County Executive Officer effective March 23, 2008. The CEO was authorized 66 positions for fiscal year 2010-11 and a budget of over \$13 million.

### SCOPE

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Our overall audit objective was to determine whether appropriate actions had been taken to transfer accountability and administrative functions from the preceding to the succeeding department head. Specifically, we:

- verified that the change fund, trust funds, and outside bank accounts were accounted for properly and balances were reasonably stated;
- confirmed that fixed assets were accounted for properly and evaluated controls over sensitive non-fixed assets (e.g., computers, cell phones, cameras, etc.);
- verified that required documents, such as *Statements of Economic Interests* and signature authorizations, were completed;
- reviewed actions taken to update security measures, including the deactivation of facility access cards and termination of computer access;
- confirmed that County equipment was collected from the outgoing department head and accounted for properly;
- verified that expenses incurred by the outgoing County Executive Officer in the months before retirement were appropriate; and
- evaluated procedures employed by the Clerk of the Board of Supervisors to facilitate the efficient and effective filing of Form 700 by departments/agencies.

We performed audit tests and evaluations using documents provided by the CEO and the Auditor-Controller's Office. Our procedures included a surprise count of the change fund at the Clerk of the Board office. The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period June 2008 through December 2010.

## FINDINGS

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Overall, we found that accountability and administrative functions were satisfactorily transferred from the preceding to the succeeding CEO department head. We verified that the change fund, reconciled trust funds, and outside bank account balances appeared to be reasonably stated and that Form 700s were filed timely by the incoming and outgoing department head. In addition, we confirmed that certain fixed asset inventories were completed in a timely manner and that security measures were updated properly. We also verified that County property was returned and that expenses incurred by the outgoing CEO department head in the months before the department head's retirement were appropriate.

However, we identified several areas where actions were needed to improve accountability of departmental assets and strengthen certain operations. Specifically, we noted that the current County Executive Officer did not formally receipt for fixed assets. In addition, trust fund reconciliations were not always submitted as required. In the CEO's role as Filing Officer, notices were not always prepared and provided to late Form 700 filers and fines for late Form 700 filers were not assessed or collected. Additionally, review of Form 700s was not adequately documented and the listing of Filing Officials was not complete.

Following are details of the areas where improvements were needed. CEO management initiated corrective action during the audit as noted.

1. **Fixed Asset Accountability.** Accountability was not properly established for over \$213 million in fixed assets during the transition in CEO department head. Government Code 24051 requires that the fixed asset inventory be formally transferred with a receipt from the preceding to the succeeding department head, thereby transferring accountability for the department's fixed assets. However, the prior CEO department head retired as of March 31, 2008, without transferring accountability to the succeeding department head as required. Therefore, for 3 months, from March 31 to June 27, 2008, when the current CEO department head certified nearly \$1.4 million of the fixed asset inventory, accountability was not established over these fixed assets. We recognize that nearly \$212 million of the fixed assets were not certified because these were general fund assets belonging to various County departments. However, as the administrator of these budget units, the CEO was responsible for ensuring accountability for these assets.

**Management Action.** CEO management stated:

"On June 27, 2008, approximately 3 months after assuming her position as CEO, Marty Robinson signed the affidavit of annual inventory for the CEO department. This affidavit contained a listing of CEO department fixed assets totaling \$1.370 million. In the future, the CEO department will comply with the Administrative Policy Manual Chapter VII (A) and perform a physical inventory and transfer accountability of fixed assets in timely fashion and provide a copy of the affidavit to the Auditor-Controller's Office.

"Please note that the CEO will sign an affidavit for annual inventory (fixed assets) that is specifically CEO department fixed assets. The remaining \$212 million of fixed assets identified in this audit are general fund capital assets that belong to various County departments, but are reflected under the CEO agency code in the fixed asset reporting system. CEO and Auditor-Controller staff has been

reviewing this situation with the objective of developing a procedure to ensure accountability for these assets.”

2. **Trust Fund Reconciliations.** Trust fund reconciliations were not always prepared and submitted as required by the County of Ventura Auditor-Controller’s Accounting Bulletin 10-01 issued July 7, 2009. Specifically, reconciliations for the CDLAC MCC APPL Performance Deposit trust fund (5194-6054), with a balance of over \$25,000 as of June 30, 2010, were not submitted since the account was established in 2006. Also, reconciliations for the following trust accounts were not submitted as required since 2003: Criminal Justice Facilities Fee (6530-7893); Sheriff Facility Permit Fees (6530-7894); Courthouse Temporary Construction (6530-7896); and Juvenile Justice Facility Construction (6530-7898). The balances for these trust accounts as of June 30, 2010, were over: \$430,000; \$260,000; \$4 million; and \$1,600, respectively. Lack of preparation of trust fund reconciliations increases the risk that unauthorized transactions may not be identified in a timely manner.

**Management Action.** CEO management stated:

“The CEO department would like to note that a total of 12 trust funds, including 48 trust accounts are monitored and reconciled in timely fashion with copies submitted to the Auditor-Controller’s office as per standard operating procedure.

“Three of the five trust accounts identified by the Auditor-Controller by this audit have been consistently reconciled on a periodic basis by the CEO department although no documents had been submitted to the Auditor-Controller’s office. One trust account has been closed. The CEO department will insure that all trust funds and accounts are monitored and reconciled on a regular basis as well as all appropriate paperwork submitted as per operating procedure.”

3. **Form 700 Responsibilities.** Improvements were needed to facilitate the efficient and effective filing of Form 700 by departments/agencies. Specifically, we noted that notifications were not always provided to late filers and fines were not assessed or collected. We also noted that review of Form 700s was not adequately documented and the listing of Filing Officials was not complete.

- A. **Late Filing Notifications.** The CEO, as Filing Officer, did not always issue notifications to late Form 700 filers. The Fair Political Practices Commission (FPPC) recommends that the Filing Officer notify non-filers within 120 days after the annual April 1 deadline or 30 days after assuming or leaving office. However, the CEO did not provide notification to 215 late filers as of November 2010, which included 209 annual Form 700 filers and 6 Form 700 filers for assuming or leaving office. Timely notifications to late filers facilitate efficient and effective filing of Form 700 by departments/agencies and establish timelines for referral of non-filers to the FPPC by November 15 of each year.

**Management Action.** CEO management stated: “The CEO department currently administrates 700 Forms for the County of Ventura Departments and Agencies (Department Head only); Boards and Commissions; Special Districts and School Districts which represents approximately nine hundred individual 700 Forms that are filed on an annual basis. Each of these entities has Filing Officers that are responsible for the filing of 700 Forms for individuals assuming or leaving office, as well as annual filing. Tracking and repeated follow up to late filers is not practical given the current combination of manual tracking and resource constraints. The CEO department is in the

process of implementing an electronic 700 Form filing system. This system will allow the filing officials the ability to immediately create an electronic profile for individuals assuming or leaving office. With the creation of the electronic profile the system will send an email notification to the individual assuming or leaving office, who can then e-file the 700 Form in timely fashion. The system will also send e-mail notifications to all individuals for the annual 700 Form filing which is due by April 1<sup>st</sup>. In either case, an individual due to file a 700 Form for assuming office, leaving office, or for annual update, the system will send the notification e-mail and the individual will complete the form online. Secondly, if the individual does not submit the form within the appropriate deadline the system will send follow-up reminder emails. CEO department staff and Filing Officers will be able to generate reports to track the status of individual filers. The implementation of this system will provide greater visibility and accountability for the 700 Form filing process and will provide a solution for the items identified in this audit.”

- B. **Late Fine Collections.** The CEO did not assess or collect fines for late filings of Form 700. Government Code 91013 imposes a \$10 fine per day after the deadline, up to a maximum of \$100, until the Form 700 is filed. However, the CEO did not assess or collect fines for 215 late filers in 2010, which would have amounted to \$21,500 to be deposited into the County's general fund.

**Management Action.** CEO management stated: “The majority of late filers were members of the public participating on various county boards and commissions, for which finding members of the public willing to serve is often difficult. The CEO's office believes penalizing such late filers would discourage their participation on these boards and commissions and result in a decrease in public participation. We have therefore, and similar to many jurisdictions, historically opted against levying such penalties. Additionally, the tracking and collection of fines for late filers has not been practical given that the current manual process for tracking filers, assessing, collecting and processing penalty payments would require resources exceeding the amount of fines collected. However, the aforementioned electronic 700 Form System will automatically notify CEO department staff, the Filing Officials and the individual filers that the required filing is late. Subsequently, an e-mail notification could be sent to the filer reminding them of the \$10 per day fine, up to a maximum of \$100. The actual imposition of a fine may be considered by the Filing Official in the future.”

- C. **Review Process.** The CEO could improve support for the assertion that at least 20 percent of timely filed Form 700s have been reviewed as required by FPPC Regulation 18115(a)(4). The Clerk of the Board stated that all Form 700s are reviewed for compliance with FPPC guidelines and that amendment request letters are submitted to filers if Form 700s are incomplete. However, although the Clerk of the Board relied on the amendment request letters to serve as evidence of review, the number of letters may not always exceed the 20 percent threshold. Therefore, documentation that the reviews were performed would provide support that the Clerk of the Board did verify the FPPC guideline compliance of all Form 700s received.

**Management Action.** CEO management stated: “The aforementioned electronic 700 Form System will provide a reviewing tool which will automatically generate a report by randomly selecting 20% of the approximate 900 total filers. The review will be conducted utilizing this random 20% selection and will be maintained in CEO department files, available for future audits. The CEO department would also like to note that all 700 Forms filed electronically will undergo a quality control workflow since the system will not allow the submission of the form unless all fields

in the form are completed. As part of the general process of 700 Form submissions, CEO department staff performs an informal review of all filings.”

- D. **Filing Officials Listing.** The CEO did not always maintain an accurate listing of Filing Officials, who are notified by the Clerk of the Board to facilitate the submission of Form 700s for filers in the respective agencies. Specifically, the CEO’s list did not include Filing Officials for all required agencies, including Filing Officials for one County department and six special districts. Accurate Filing Official information is essential to ensure notification is provided to those officials who have filing obligations.

**Management Action.** CEO management stated: “The aforementioned electronic 700 Form System will require the responsible entity to maintain current information regarding the status of the Filing Official. The system allows for the immediate online update of Filing Official data rather than waiting for a biennial review in order to update the information manually (i.e., via paper). Secondly, the electronic system will be able to produce a report listing all current Filing Officials.”

#### **AUDITOR’S EVALUATION OF MANAGEMENT ACTION**

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We believe that management actions taken or planned were responsive to our findings. CEO management planned to complete corrective actions by April 1, 2012.