

November 20, 2007

Board of Supervisors  
800 South Victoria Avenue  
Ventura, CA 93009

**Marty Robinson**  
Assistant County Executive Officer

**Paul Derse**  
Chief Deputy, Finance

**John K. Nicoll**  
Chief Deputy, Industrial Relations/  
Risk Management

**Barry L. Zimmerman**  
Chief Deputy, Human Resources

**SUBJECT:** Board of Supervisors' Final Response to 2006-07 Grand Jury Report and Recommendation to Establish an Independent Audit Committee

**RECOMMENDATION:**

1. Approve this report as the Board of Supervisors' final response to the 2006-07 Grand Jury Recommendation (R-01) regarding establishing an Independent Audit Committee.
2. Once approved, forward this analysis to the Presiding Judge and the 2007-2008 Grand Jury.

**DISCUSSION:**

This is the required follow-up to the Board's initial response to the Grand Jury recommendation that an independent audit committee be created. In your Board's July response to the 2006 Grand Jury, it was indicated that the idea of an independent audit committee would be evaluated. Since that time, a survey of California local governments was conducted to determine the prevalence of independent audit committees and their perceived value. In addition, the prior attempt to form such an audit committee in Ventura County was examined along with the roles and responsibilities of the Auditor-Controller, Board of Supervisors, and the County Executive Office as they relate to the audit function.

Based upon this review, no evidence was found that an independent audit committee was either required by law or would add value when an independent auditor is directly elected by the people as is the case in Ventura County.

The survey of local governments within California disclosed that approximately 20 out of 80 respondents had a formal audit committee. Of those twenty, only two small cities and two large charter counties had citizen members involved. None of the responding counties had independent audit committees as described by the Grand Jury. A previous effort in Ventura County to form such a committee back in 1983 does not appear to have been successful in that it never met and ceased to exist apparently for the lack of any value added or perceived need.

In Ventura County we have an independently elected Auditor-Controller who can communicate directly with the Board of Supervisors. An audit committee would not enhance that ability and could inhibit the communication by increasing bureaucracy as well as adding cost.


The attached procedures currently used by the Auditor are generally working well. The Auditor obtains input from department heads and members of the Board of Supervisors, and incorporates feedback from the County Executive Office. As an example, I have also attached the list of audit studies this office suggested in response to the Auditor's annual inquiry, and the Auditor's response to our suggestions. Please note that CEO Program Analysts will participate in both entrance and exit interviews on departmental audits, placing them in a better position for following up on issues identified.

The control problems that occurred in the Public Guardian Office resulted from a lack of timely management follow-up, not a failure to audit. This past June the Auditor commenced the second three-year cycle of the Control Self-Assessment Program; your Board will receive quarterly public reports on departmental compliance. The public reports will not only increase accountability but serve as an early warning system to identify any persistent management control problems.

Lastly, in addition to the Control Self-Assessment Program with planned periodic updates, the Auditor has been filling previously allocated audit positions and is currently recruiting to fill the two new audit positions recently authorized by your Board.

With the additional staff and ability to call for specialized outside contract audits, most of the Grand Jury's concerns can be addressed without the creation of an audit committee. Consequently, this report represents the final response to recommendation R-01 related to establishing an independent audit committee.

If you have any questions, please contact me at 654-2681, or Paul Derse at 662-6792.

  
JOHN F. JOHNSTON  
County Executive Officer

- Attachments:
- 1) Administrative Manual – Audits
  - 2) 9/4/07 Memo to Christine Cohen
  - 3) 9/24/07 Memo from Christine Cohen

COUNTY OF VENTURA	2005 ADMINISTRATIVE POLICY MANUAL		FINANCIAL MANAGEMENT CHAPTER VII (A) Expenditures & Accounting
Originating Agency: A-C	Last Issued	Revised	Policy No. Chapter VII (A) - 6
Policy: BOS	1998	2005	COUNTY AUDITING
Procedure: A-C	1998	2005	
Forms (if any): N/A	N/A	N/A	
Policy Change Requires:	<input checked="" type="checkbox"/> CEO Consultation with Board of Supervisors <input type="checkbox"/> CEO Approval		
Procedure/Forms Change Requires:	<input type="checkbox"/> CEO Approval		

## POLICY

The following guidelines will apply to all audits performed by the Auditor-Controller's Office.

### 1. PURPOSE AND TYPES OF AUDITS

Auditing is an essential function of County government. Audit results assist management in assessing accountability and in making informed decisions. The Auditor-Controller's Office Audit Division accomplishes performance and financial and compliance audits in accordance with the Internal Audit Charter approved by the Board of Supervisors on August 23, 1994 and Government Code Section 1236 et seq.

Performance audits are accomplished to elevate economy and efficiency measures and assess performance. The measurement of a government entity's performance requires information not only on the acquisition and use of resources, but also outputs and outcomes of the services provided and the relationship between the use of resources and outputs and outcomes.

Financial and compliance audits are accomplished to determine whether (1) the financial statements of an audited entity present fairly its financial position and the results of financial operations in accordance with generally accepted accounting principles and (2) the entity has complied with the laws and regulations that may have a material effect upon the financial statements.

In addition to performance and financial and compliance audits, the audit function may engage in various analyses and reviews for selected purposes.

## PROCEDURE

### 2. SCHEDULING

Audits will be scheduled by the Auditor-Controller's Office and may be subject to statutory requirements. Consideration will be afforded subjects requested by the Board of Supervisors, the County Executive Officer, and by agency or department heads.

The Auditor-Controller's Office is the final authority as to activities/entities that will or will not be audited. The primary responsibility for identifying and requesting "Economy and Efficiency" or "Program Results" audits rests with County management (Board of Supervisors, County Executive Officer, Auditor-Controller and agency and department heads).

Agency or department heads will be notified at the beginning of audits unless, in the auditor's judgment, such notice would adversely affect the ability to achieve the audit objectives. Written notification to agencies and departments, which may follow an initial survey, will normally confirm the intended scope and schedule for the audit.

### 3. STANDARDS

Depending on circumstances, audits will be conducted in accordance with: Government Auditing Standards promulgated by the Comptroller General of the United States; International Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors; and Generally Accepted Auditing Standards, prescribed by the American Institute of Certified Public Accountants.

In fulfilling audit responsibilities, the audit staff shall have full, free, and unrestricted access to all County activities, records, property, and personnel. County management will ensure full cooperation with, and support to, the audit function. Full cooperation with the audit function includes, but is not limited to, management's commitment of time and personnel assistance in reviewing, evaluating, and interpreting operation results.

When appropriate, the Auditor-Controller's Office will ensure coordination of audits and related work of investigative agencies. In those circumstances when fraud or other irregular conduct is disclosed or suspected, appropriate investigative agencies will be promptly notified.

### 4. WORKPAPERS

Workpapers developed in the course of an audit are considered the property of the audit function. Because audit workpapers may contain sensitive data and preliminary information or conclusions subject to further review, workpapers will be safeguarded at all times. Because of the potentially sensitive nature, audit workpapers will be released outside the audit function only at the discretion of the Auditor-Controller's Office or under subpoena.

### 5. AUDIT PROCESS AND REPORTING

During the course of the audit, the auditor will work closely with auditee management in evaluating and interpreting operation results. After audit work is completed and subjected to professional audit review, audit results will be discussed with auditee staff and management. At this point, the focus will be on improving operations and correcting noted deficiencies in a mutually agreed upon manner. The auditee will be given the opportunity to initiate corrective actions on any noted weaknesses. Agency and department management is primarily responsible for taking appropriate action in response to audit recommendations. A memorandum, outlining operational improvements and any noted deficiencies and corrective action initiatives and/or plans, will be prepared and distributed to agency/department management and the County Executive Office.

Every attempt should be made to resolve differences between the auditor and management relating to audit results. However, there are times when disagreements will occur, but neither the auditor nor management should concede if they believe their position is supportable and defensible.

Most audit reports will require a written management response for inclusion in the audit report to describe improvements and corrective actions that have occurred or been initiated during the course of the audit. Suggested response formats will be provided to agencies/departments, by the audit function, should the need arise.

The reporting process may be altered when investigative agencies become involved in the audit.

6. FINANCIAL AUDIT OPTIONS

Completed financial statement audit opinion reports will be issued to the Board of Supervisors with copies to the County Executive Officer, and other County officials as may be appropriate.

7. COUNTY EXECUTIVE OFFICE REPORTING

Agencies and departments are required to provide written status reports to the County Executive Office on items where corrective action was not completed when the audit report was issued. The initial status report is due within 90 days of the audit report or when corrective action is completed. The County Executive Office will evaluate the corrective actions taken and provide the results to the Auditor-Controller's Office for scheduling of follow-up audits.

8. AUDIT FOLLOW-UP

Follow-up audits will be performed on selected reports to ascertain the implementation of improvement efforts and accomplishment of corrective actions. Follow-up will be accomplished by the Audit Division generally after six months, or as deemed appropriate, after improvements have been implemented and deficiencies corrected. An audit report will normally be issued as a result of the audit follow-up.



## County of Ventura County Executive Office MEMORANDUM

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**DATE:** September 4, 2007

**TO:** Christine Cohen, Auditor-Controller

**FROM:** John F. Johnston, County Executive Officer

**SUBJECT:** Fiscal-Year 2007-08 Audit Plan

Thank you for the opportunity to respond to the Auditor-Controller's draft Audit Plan for the current fiscal year.

Overall, I support all the planned audits you have scheduled and appreciate your including our request of an audit of the Medical Examiner's Office. I am not clear on the timing of the change in Director audits. Some of them are way over due but it appears you will be making progress in getting them caught up.

I also note that the audit of Public Safety overtime that you talked about did not make the list. You may want to include that audit in this year's plan even if we contract it out considering the concern the Sheriff has expressed and the difference in overtime projections between our office and the Sheriff.

Additionally, I was unsure of when the last time an audit of the property tax system was accomplished. Because of its significance to both the County's general purpose revenues and other taxing entities revenues, I believe it may be appropriate to contract out a review of the system.

I believe it would be beneficial to improving on the follow-up of audit findings if our Program Management Analysts were more involved in the audit process. I think it would be helpful if our PMAs could be included in both the entrance and exit conferences held with audit client.

I look forward to closer cooperation between our offices to enhance the effectiveness of the internal control function throughout County government.

County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM

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To: John F. Johnston, County Executive Officer

Date: September 24, 2007

From: Christine L. Cohen 

Subject: FY 2007-08 AUDIT PLAN

Thank you for your memorandum dated September 4, 2007, in response to our request for your comments on the Auditor-Controller's draft Audit Plan for fiscal year (FY) 2007-08. I would like to take this opportunity to address each of your comments.

1. **Change in Director Audits.** You stated that you are not clear on the timing of the change in Director audits because some are overdue. As you mentioned, we are "making progress in getting them caught up." However, given our relatively small staff size and our recruitment and retention challenges over the past year, we must weigh the potential risk and benefits of each discretionary audit undertaken. For example, when we prioritized the Medical Examiner audit because of the critical nature of the engagement, other audits of less significance, such as change in Director audits, needed to be postponed. Regardless, we plan to have all change in Director audits completed or in progress by the end of the fiscal year.
2. **Public Safety Overtime Audit.** You also stated that "the audit of Public Safety overtime that (I) talked about did not make the list." I do not recall discussing the need for an audit during the June 5 budget hearings or at any other time with the County Executive Office (CEO) or with the Board of Supervisors. In addition, although this audit subject is not scheduled for FY 2007-08, we did identify this issue as a future potential audit subject on page 9, as Performance and Compliance Audit Subject 5. Should this audit be initiated during FY 2007-08, other audits would need to be delayed. As you noted, some audits, such as the change in Director audits, have already been postponed and need to be conducted this year to remain relevant. In addition, I do not believe contracting out this audit would be necessary or advisable given the nature of the audit subject. However, the Audit Plan is not a static document and may be amended from time to time depending on the audit needs of the County. I would also be interested in additional information from your office as to the scope of such an audit considering your concern over the difference in overtime projections.
3. **Property Tax System Audit.** We are currently documenting the system requirements for a new property tax system. Therefore, I believe initiating an audit to be performed by our staff or by a contracted auditor would be premature and of limited future value at this point.
4. **Program Management Analysts.** As you are aware, the CEO is notified of all audits initiated by the Auditor-Controller with a copy of the audit announcement memorandum. Therefore, should a Program Management Analyst (PMA) like to be included in certain aspects of select engagements, please have the PMA contact our office. However, we caution that the PMA's involvement should not inhibit the audit

John F. Johnston, County Executive Officer

September 24, 2007

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process, including the timeliness of the audit and the free flow of ideas and information between the auditor and the department.

We will be finalizing the Audit Plan, then, as was sent to you on August 16, 2007. As mentioned earlier, please keep in mind that the Audit Plan may be adjusted as the need arises. Therefore, should other audit needs come to your attention throughout the year, please do not hesitate to contact me at (805) 654-3151.



July 10, 2007

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009

Subject: **Board of Supervisors' Response to 2006-07 Grand Jury Report  
Entitled, "Ventura County, A Failure to Audit"**

### Recommendation

That your Board approve the attached response to the Grand Jury report to be submitted to the Presiding Judge of the Superior Court in accordance with State statute.

### Discussion:

Penal Code §933.05 requires that your Board comment on the findings and recommendations of the Grand Jury pertaining to county government under your authority. The Grand Jury specifically required responses from your Board to recommendations R-01, R-02, R-03, R-04, R-06, R-07 and R-08 of the subject report. Responses were prepared on your behalf by CEO staff and are presented here for your review and comment.

If your Board elects to amend this response or add additional comments, staff, at your direction, will make such changes and additions prior to submitting the responses to the Presiding Judge. The approved response will be filed as indicated in the above-recommended action along with any additional comments your Board may wish to make.

Should you have any questions or require additional information regarding this item, please contact Marty Robinson at 654-3656.



JOHN F. JOHNSTON  
County Executive Officer

Attachment  
Cc: C. Cohen, Auditor-Controller  
N. Klebaum, County Counsel

**Board of Supervisors' Response to Recommendations Contained in the 2007-06 Grand Jury Report Entitled, "Ventura County, A Failure to Audit" July 10, 2007**

**R-01**

The Grand Jury urges the BOS to establish an independent Ventura County Audit Committee by ordinance, using guidelines provided by the Government Finance Officers Associations (GFOA, Ref-01). Because many of the County agencies that would be audited report to the CEO, the CEO should not recruit or recommend members for the Audit Committee in order to ensure the integrity of the audit process and the independence of the Committee. Although the function of the Audit Committee is to support the efforts of the Auditor-Controller and work cooperatively with that office, independence of the Audit Committee also requires that its members not be recruited or recommended by the Auditor-Controller. (C-01, C-05, C-12, C-17)

**Response: Concur in Part.**

**The establishment of some sort of audit oversight committee could add value but as the Auditor-Controller points out in her response to this recommendation, further study is called for in establishing such a committee in an elected environment. In any event, the function of an audit committee should be to support the Board of Supervisors, as the governing body, rather than to support any single elected official's mission.**

**R-02.**

County Ordinance No. 4235 (the CEO Ordinance) should be amended in §7.3 to make clear that the CEO must place any item presented by an elected Ventura County official on the BOS agenda (C-08, C-13)

**Response: Do Not Concur.**

**Board policy requires that all requests from elected officers be placed on the agenda for discussion. Elected officials are aware of their right to place items on the Board's agenda. The CEO and the Auditor-Controller's responses to this issue are in agreement with the Board's position that the existing ordinance does not need to be amended.**

**R-03**

The BOS and the Auditor-Controller should ensure that the CEO complies with the CEO Ordinance with regard to the audit function (§6.a.5). This compliance should be reviewed annually by the BOS as part of the CEO's performance review. (C-02, C-14, C-17)

**Response: Concur in Part.**

**The Board regularly oversees the performance of the CEO including compliance with the CEO ordinance as well as with and other rules and regulations. The duties of the Auditor-Controller already include reporting on failures relating to the audit function or violations of the law.**

**R-08.**

The BOS must provide sufficient budgeted resources to the Auditor-Controller to audit each County agency at least once every three years. The BOS must also direct each County organization operating as an enterprise fund to budget sufficient funds to pay the Auditor-Controller to audit them annually. (C-02, C-07, C-09, C-10, C-11, C-14 through C-17)

**Responses: Concur in Part.**

**County agencies should be audited more frequently in some areas. However, this is a cost/benefit consideration depending on what kind of audit is being contemplated and what kind of risk is involved. The County does perform all legally required audits, so we are referring to discretionary audits. The Auditor-Controller's response to this issue indicates that she views it, as does the Board, as an excellent goal but one that nevertheless must compete for limited funds with other worthy programs. While the Board of Supervisors allocates funding levels, the Auditor-Controller as an elected official, is ultimately responsible for and has direct control over setting the internal priorities for the use of those funds.**

June 26, 2007

Board of Supervisors  
County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93003

**Marty Robinson**  
Assistant County Executive Officer

**Paul Derse**  
Chief Deputy, Finance

**John K. Nicoll**  
Chief Deputy, Industrial Relations/  
Risk Management

**Barry L. Zimmerman**  
Chief Deputy, Human Resources

**Subject: County Executive Officer's Response to 2006-07 Grand Jury Report  
Entitled "Ventura County, A Failure to Audit"**

**Recommendation:**

That your Board approve the County Executive Officer's response to the Grand Jury report entitled, "Ventura County, A Failure to Audit," to be submitted to the Presiding Judge of the Superior Court in accordance with State statute.

**Discussion:**

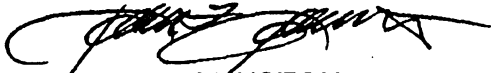

Penal Code §933.05 requires that your Board comment on the findings and recommendations of the Grand Jury pertaining to county government under your authority. As an appointed official under authority of the Board of Supervisors, the County Executive Officer submits for your review his response to the referenced Grand Jury's report.

Past practice has been that, within 90 days of the release of the Grand Jury Final Report, the CEO submits a compilation of all responses from affected County government entities under your Board's authority for your review. However, due to the unusual handling surrounding the early release of this particular report, we are responding separately and earlier than normal.

In the coming weeks the CEO will work with Board members to prepare your Board's official response to this Grand Jury report and we hope to have it ready for Board action on July 10, 2007.

Board of Supervisors  
June 26, 2007  
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Should you have any questions, or require additional information regarding this item, please contact me at 654-2681, or Marty Robinson at 654-3656.

  
 JOHN F. JOHNSTON  
County Executive Officer

Attachment

C: C. Cohen, Auditor-Controller  
N. Klebaum, County Counsel

**Findings**

**General**

F-01 The Ventura County Auditor-Controller is an elected official who is required to meet the qualifications for the position of Auditor described in California Government Code §26945.

**Response: Concur.**

F-02 The Auditor-Controller is the County of Ventura's Chief Financial Officer and maintains all basic financial information, analyzes accounting reports, and makes appropriate recommendations to the Board of Supervisors (BOS) and County agencies relating to the County's financial condition.

**Response: Do Not Concur.**

***According to Government Code 26881, "The county auditor, or in counties that have the office of controller, the auditor-controller shall be the chief accounting officer of the county. Upon order of the board of supervisors, the auditor or auditor-controller shall prescribe, and shall exercise a general supervision, including the ability to review departmental and countywide internal controls, over the accounting forms and the method of keeping the accounts of all offices, departments and institutions under the control of the board of supervisors and of all districts whose funds are kept in the county treasury." The duties of the Auditor-Controller are outlined in the code and do not specifically include making recommendations on the County's financial condition.***

F-03 The Auditor-Controller is responsible for financial compliance and operational audits of County agencies, public authorities, and dependent districts.

**Response: Concur in Part.**

**The Board is ultimately responsible and has delegated this responsibility to the Auditor-Controller.**

## County Governance

F-04 The BOS is the governing body of Ventura County. The Board has the authority to adopt ordinances and make appropriations. The final budgets of agencies under both elected and appointed County officials are approved by the BOS.

**Response: Concur.**

F-05 County Ordinance No. 4235 (CEO Ordinance) was adopted by the BOS on May 22, 2001, less than two months after the current County Executive Officer (CEO) was hired, to redefine that position and to re-title it from County Administrator to County Executive Officer.

**Response: Do Not Concur.**

**Ordinance No. 4235 did not redefine the position. It merely restored the title of County Executive to reflect the duties and responsibility of the job.**

F-06 The CEO Ordinance reflected a change in the role of the County's chief employee from an administrator to an executive.

**Response: See F-05. Concur in Part.**

***"In April 2000, 'due to the publicized financial difficulties confronting the County, the opportunity to strategically maximize the County's relationship with both the state and federal governments, the need to increase public confidence in County government and the future recruitment of a permanent CAO,....', the Board decided it was appropriate to revisit the powers and authority delegated to the CAO. After taking public testimony on the proposed role, authority and responsibility of the then Chief Administrative Officer, in June believing the County needed not only strong political leadership but strong central leadership at the executive and operational level, the Board adopted a resolution restating, strengthening and delegating authority to the CAO. Strengthening and centralizing authority with in the CAO was to improve the County's system of checks and balances. Specifically, the centralizing the authority of the office was to:***

- ***Provide leadership***
- ***Provide fiscal oversight***
- ***Reduce the possibility of fiefdoms with unchecked powers***

- ***Preclude autonomous actions with financial implications on the part of managers and officials***
- ***Assure that the information and data required to make management decisions, to perform financial analysis, and to advise the Board is available within the Chief Administrative Office***
- ***Improve the quality of information provided to the Board for policy decisions”***

**(Reprinted from 6/6/2000 Board letter)**

**The position of Chief Financial Officer was established at that time to help develop the office's capacity for financial forecasting and financial management.**

**Ordinance 4224 which basically mirrored the duties, responsibilities and delegated authorities identified in the resolution was introduced for first reading on November 21, 2000, and became effective, January 5, 2001, three months prior to current County Executive Officer being employed.**

**F-07 The CEO Ordinance changed budgeting responsibility from the Auditor-Controller to the CEO. This consolidated budgeting and finance under one office.**

**Response: Do Not Concur.**

**The budget responsibility has always resided in the CAO/CEO's office. The activities of projecting general purpose revenue and appropriations were separated between the Auditor-Controller and the CAO respectively, based upon agreements between the offices. The ordinance reestablished the CEO as the office responsible for general purpose revenue projections, thus consolidating these two key responsibilities in one office. In conjunction with its transfer of the revenue budget responsibilities, the debt issuances functions were also transferred to the CEO from the Auditor-Controller where these financial functions had historically been performed. The investment function remains in the elected Treasurer-Tax Collector Office.**



- F-08 The CEO Ordinance states, "All departmental requests for Board action shall be through the CEO. Board members are encouraged to seek both CEO and County Counsel review of proposed items."

**Response: Concur in Part.**

**The section of the ordinance quoted in the Grand Jury Finding F-08 reads *in its entirety* as follows:**

***"All departmental requests for Board action shall be through the CEO. Board members are encouraged to seek both CEO and County Counsel review of proposed items. Should such review not take place prior to presentation to the Board, it shall be Board policy to refer the item to the CEO for report back."***

**Elected Officials are encouraged to follow the normal Board letter review process. However Elected Officials have the right, which they exercise on occasion, to put anything they wish on the Agenda outside of that process.**

- F-09 The CEO Ordinance established specific duties and responsibilities of the CEO including, "***The CEO shall, in cooperation with the Auditor-Controller, supervise, direct, review, and maintain an adequate internal auditing system.***"

**Response: Concur.**

- F-10 Supervisors rely on the CEO and his staff for recommendations on financial management issues.

**Response: Partially Concur.**

**BOS relies on CEO, and the CEO is required to make recommendations. However, the CEO is not the exclusive source of advice. The Board also relies on the Auditor Controller and Treasurer Tax Collector for financial advice.**

- F-11 The CEO and the Chairman of the BOS set the time allocations for the BOS discussion of agenda items.

**Response: Concur in Part.**

**The Chief Deputy Clerk of the Board sets an estimated time duration for discussion of "Time Certain" agenda items. The Clerk does this after consulting with the Chair of the Board of Supervisors, County Executive Office, and Elected/Department Heads as appropriate.**

- F-12 The Auditor-Controller is often involved late or not involved at all in reviewing issues being decided by the BOS that affect the fiscal health of the County.

**Response: Do Not Concur.**

**The Auditor-Controller is regularly involved in reviewing issues that affect the fiscal health of the County. The Auditor participates in the Financial Review Committee, the Capital Projects Committee, and attends all Board meetings. In some instances, the Auditor's involvement has come later in the process. However, with rare exception, any decision by the BOS is delayed if the Auditor requests more time for review.**

- F-13 The Auditor-Controller is rarely asked by the BOS for an opinion on issues that affect the fiscal health of the County and she does.

**Response: Do Not Concur.**

**The Auditor-Controller is welcome to speak on any issue, especially those that affect the fiscal health of the County.**

- F-14 Budgeting was transferred from the Auditor-Controller to the CEO because state law requires that the BOS be responsible for the budget. The Auditor-Controller is independently elected and does not report to the BOS.

**Response: Concur in Part.**

**As stated in the response to F-07, the CEO has always been responsible for the development and presentation of the budget. Under previous CAO organizational structures, the CAO had responsibility for putting together the organization's spending plan**

**but did not have the responsibility or authority for projecting revenues. Being totally reliant on another organization for this key element of budgeting was inefficient and in some instances inappropriate.**

- F-15 The office of the CEO recommends proposed (target) budgets, including the budget for the Auditor-Controller.

**Response: Concur.**

**However, technically, proposed and target budgets are two distinct products. The target budget is the budget prepared by the CEO based upon the CEO's calculation of performing current service levels at next year's cost combined with the CEO's estimate of available funding. There is no real proposed budget. The preliminary budget is what the CEO recommends to the Board of Supervisors after discussion with departments and evaluating department requests. By State Law the Auditor Controller is responsible for the annual Budget Tabulation which is presented at the start of the annual budget process.**

- F-16 Agencies requesting budgets greater than the CEO's target budget, including agencies headed by an elected official, must justify their requested increase to the CEO before the overall target budget is submitted to the BOS.

**Response: Do Not Concur.**

**As mentioned above, target budgets are determined by CEO based on providing current services at next year's prices and available funding. All departments including elected officials are provided an opportunity to discuss their concerns with the CEO calculations and to seek support for additional levels of service. If departmental requests are something that the CEO can support it goes into the department's preliminary budget presented to the Board. However, any requests of the departments, including elected officials, beyond the appropriations recommended by the CEO are considered "supplemental" and are also presented to the Board of Supervisors with cost information and discussion. Department heads, including elected officials, have an opportunity and responsibility to discuss their additional funding requests directly with the BOS.**

- F-17 Requests for supplemental funding for budgets not included in the target budget document are presented to the BOS without support or recommendation from the CEO. The BOS rarely approves a supplemental budget request.

**Response: Concur in Part.**

**The term "rarely" is subjective. The Board has full discretion to approve supplemental requests. Generally, the tendency to approve those requests is based upon the perceived need relative to the availability of funding. At the budget hearings for fiscal year 2006-07, the Board of Supervisors approved supplemental requests to add 21 positions, \$1.2 million in appropriations and \$557,000 in revenue. 12 out of 21 positions were allocated to elected officials' offices.**

- F-18 The Auditor-Controller has asked for additional audit staff during the past six years. The appeals to the BOS have been denied, as have requests by other County agencies for additional funding.

**Response: Concur with Clarification.**

**The reductions in staffing from the Audit Division were initiated and directed by the Auditor-Controller. During budget cycles of downturn, the elimination of vacant positions in lieu of laying-off filled positions in functional areas other than the Audit Division was at the discretion of the Auditor-Controller. Based on circumstances at the time, the Auditor-Controller's decisions were not unreasonable.**

- F-19 In the past five years, the office of the Chief Deputy Executive Officer has grown from two employees to approximately 12, with eight analysts reporting directly to the Chief Deputy. Those reporting directly all earn approximately \$100,000 per year.

**Response: Do Not Concur.**

**In 2001/02, there were 15 positions working in Budget and Finance. Today there are 9. Additionally, 2.5 positions responsible for intergovernmental affairs and legislative analysis were transferred to the Budget and Finance Division to be supervised by the Chief Deputy as an economy measure during budget reductions in 2003/04.**

**Audit Division**

F-20 Government Code §26884 states, "In the event the BOS elects to require that the county Auditor-Controller perform the additional services [audit] authorized by this chapter it shall have the power and it shall be its duty to provide the proper appropriations for any additional personnel, equipment, supplies or expenses made necessary thereby."

**Response: Concur.**

F-21 The current (March 1, 2007) audit staff consists of two auditors, one with CPA certification and one with a BS degree in accounting. The entry level salary is \$38,000 per year.

**Response: Concur With Clarification.**

The salary ranges for an Internal Auditor series are:

Internal Auditor I \$38,386 to \$49,135  
Internal Auditor II \$44,567 to \$57,046  
Internal Auditor III \$49,025 to \$62,751  
Internal Auditor IV \$55,257 to \$70,729

On March 1, 2007, there were two filled positions, one at the Internal Auditor II and another at Internal Auditor III level with salary levels of \$47,005 and \$58,682 respectively. In addition, the appointing authorities (department heads) have the ability to request a higher starting salary level other than entry level if certain criteria are met including experience and qualifications of the selected applicant and/or due to difficult to fill positions. Therefore, if appropriately justified a candidate may receive a higher level of compensation up to \$70,724.

F-22 The Audit Division is budgeted for two Auditor III positions at \$50,000 each and two Auditor IV positions at \$70,000 each.

**Response: Concur With Clarification.**

**Refer to F-21 showing the salary ranges for the Internal Auditor series.**

**Although the Auditor-Controller has budgeted allocations at the III and IV levels, all recent requests for recruitments have been for**

**Internal Auditor I, II, III's.** It is a common practice to "underfill" a higher level position with lower level positions. This has been a consistent practice in the Audit Division, and the Internal Auditor IV positions (the highest level) are typically held as internal promotional opportunities for which a recruitment is not held.

In addition to the line auditor staff positions, the Audit Division has two upper-management positions, a Chief Deputy Auditor Controller, and an Auditor Manager (Fiscal Manager II). As a result, there are a total of six staff allocations budgeted in the Audit Division.

- F-23 Current senior level auditor compensation levels are not sufficient to attract and/or retain experienced senior level auditor staff. During 2006, the Audit Division hired three entry-level Auditor I employees at \$38,000 each because experienced Auditor III and Auditor IV auditors could not be recruited.

**Response: Do Not Concur.**

As mentioned in the response to F-22, Auditor IV positions are not opened for public recruitment. They are held to provide a career path, allowing internal promotions for qualified employees. The requested recruitments by the Auditor-Controller were for the Internal Auditor series I, II, III. Applicants are screened for the minimum qualifications at each level and referred to the department based on the highest qualifying level. The following shows the hiring activity for 2006:

Hired Date	Eligible Level	Hired Classification	Starting Salary
Jan. 3, 2006	Int. Auditor III	Int. Auditor II	\$ 50,807
Sept. 10, 2006	Int. Auditor I	Int. Auditor I	\$ 38,386
Nov. 6, 2006	Int. Auditor I	Int. Auditor I	\$ 42,635
Nov. 19, 2006	Int. Auditor III	Int. Auditor III	\$ 58,682

As evidenced by the hiring patterns, qualified applicants at the more senior levels are being recruited and employed. In addition, entry-level positions and their respective salary levels have been adjusted to offer starting salaries higher than entry level. Further study of compensation levels would be required to determine if compensation is the sole reason for recruitment and retention issues as noted by the finding.

F-24 The audit staff in 2003 consisted of seven people; four CPAs (two of whom had Master's degrees), two certified internal auditors, and one certified fraud examiner.

**Response: Concur With Clarification.**

**According to the personnel records, as of January 1, 2003, there were six (6) positions filled in the Audit Division. Of the positions filled the credentials and qualifications were as follows:**

<b>Position</b>	<b>Certifications</b>
<b>Deputy Director Aud-Contr.</b>	<b>MBA, CPA, CIA, CFE, CGFM</b>
<b>Fiscal Manager II (Aud. Manager)</b>	<b>CPA</b>
<b>Auditor III</b>	<b>BS, CPA</b>
<b>Auditor II</b>	<b>MS</b>
<b>Auditor I</b>	<b>BS</b>
<b>Auditor I</b>	<b>BS</b>

F-25 The audit staff in 1991 consisted of ten auditors.

**Response: Concur With Clarification.**

**The Audit-Controller's budget included 10 audit positions. We do not know how many of the positions remained vacant.**

F-26 The Audit Division frequently has open positions which it is unable to fill. The only recruitment advertisement is that which is posted on the County Web site.

**Response: Concur With Clarification.**

**The County's standard recruitment activity and outreach efforts are directed via the Internet through the County's Human Resources webpage. A department may request that additional "marketing" and recruitment efforts be made with advertisements in local newspapers, trade journals, direct mailers, flyers, etc...**

**Recruitment figures indicate that from the beginning of 2005 to April of 2007, 273 applicants were submitted for Internal Auditor openings. Of those submitted applicants 100 were screened and**

**referred to the department as qualified candidates within the Internal Auditor series. A total of 9 of the referred candidates were offered employment and 8 were hired. All notices for employment opportunities were posted on the Internet. Human Resources did not receive requests for any additional recruitment efforts to be made for special screening criteria or credentials and qualifications.**

**F-27** With the exception of the Chief Deputy Auditor-Controller all current audit staff has been employed by the county for one year or less.

**Response: Concur in Part With Clarification.**

**The length of tenure in staff level positions is somewhat perplexing; qualified applicants are being recruited and hired but the longevity of staff in the positions is short. The causes for the turnover rate will require greater study to determine if compensation or other factors contribute to the retention problem.**

**F-28** The audit staff has been weakened due to turnover of experienced auditors seeking career advancement.

**Response: Concur in Part.**

**As stated in F-27, the high turnover rate results in an inexperienced workforce. However, experienced auditors have been recruited and hired. The reasons for the turnover rate for the experienced staff is a conclusion not a finding. The causes of high turnover appear not to have been explored thoroughly in this report.**

**F-29** The Audit Plan for 1990-91 for the County of Ventura provided 14,147 direct time audit hours with mostly experienced auditors.

**Response: No Comment.**

**F-30** The Audit Plan for 2006-07 for the County of Ventura provided 5,760 hours with mostly inexperienced auditors.

**Response: No Comment.**



F-31 The Audit Division is understaffed in numbers and qualifications. With the exception of mandated audits, only cursory other audit activities are being accomplished.

**Response: Do Not Concur.**

**This is not a finding but rather a conclusion that is not based on any particular set of facts.**

F-32 County entities with revenues from fees charged to the public for services rendered are termed "enterprise fund" organizations. Such organizations are not currently being audited except for audits mandated by state and federal laws. For example:

- The Department of Airports has not had a comprehensive financial audit since 1989.
- No record can be found of the last comprehensive financial audit of the Harbor Department.

**Response: Do Not Concur.**

**There are many county agencies that charge fees to the public for services rendered that are not accounted for in an enterprise fund. According to government accounting standards, enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. All enterprise funds are included in the countywide financial audit performed by an independent CPA firm annually. A major audit of the Harbor Department occurred in 1999, both departments are included in the annual audit, and several smaller audits of the Airport Department (grants, facility charges, and revenue) have occurred in the last few years.**

F-33 In order to accomplish tri-annual audits of all 26 agencies in the County of Ventura, additional experienced auditors are needed.

**Response: Concur in Part.**

**This is not a finding but rather a conclusion that is not based on any particular set of facts. If there were to be tri-annual audits of 26 county agencies, there may need to be additional auditors. However, there are neither facts to support the need for tri-annual audits of the 26 county agencies mentioned (there are 27**

**agencies/departments) nor workload measures to justify additional staffing.**

- F-34 In the 2001-2002 budget approved by the BOS, three positions were transferred from the Auditor-Controller's Office to the CEO in order to strengthen the County's financial management. This resulted in a decrease of three auditors in the Audit Division.

**Response: Do Not Concur.**

**Despite certain financial responsibilities being transferred from the Auditor-Controller to the CEO's office, the budgets approved by the Board of Supervisors, during the two-year period from fiscal year 2000-01 through fiscal year 2002-03, reflect an overall gain of 1 position in the Auditor-Controller's office. The number of auditors decreased by one during that period offset by increases in other positions within the Auditor-Controller's office. During that same time period the CEO's office took on additional responsibilities and staffing level remained the same.**

- F-35 A supplemental budget request in the amount of \$155,000 by the Auditor-Controller to fund replacing those three positions in the Audit Division was not recommended by the CEO and was subsequently denied by the BOS. The Auditor-Controller informed the BOS that this lack of funding would delay the full implementation of the enhanced audit program by leaving audit positions vacant.

**Response: Do Not Concur.**

**As mentioned in F-34, the Board of Supervisors did not reduce the Auditor-Controller budgets by 3 positions. There was no supplemental request for additional positions for the 2001-02 fiscal year. However, there was a net cost request of \$155,000 apparently to obtain full funding for vacant positions. This funding request was denied because historic salary expenditures in the Auditor-Controller's budget did not warrant the additional appropriations.**

### **Prior Grand Jury Reports**

- F-36 In the Auditor-Controller's August 14, 2002, response to the report "The Public Administrator and Public Guardian as Conservator" of the 2001-2002 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "Because of

limited audit resources, audits of the PA/PG must compete with other audit requirements and priorities."

**Response: Concur.**

**This was the Auditor-Controller's response.**

- F-37 In the Auditor-Controller's July 17, 2003, response to the report "Independent Auditing within Ventura County Government" of the 2002-2003 Ventura County Grand Jury (2002-03 Grand Jury), which was sent to the BOS and the CEO, the Auditor-Controller stated, "... the internal audit function with the Auditor-Controller's Office should be strengthened, particularly in light of difficult financial circumstances." The Auditor-Controller also stated, "We believe the Board of Supervisors is aware of the importance of internal audits for the Auditor-Controller."

**Response: Concur.**

**This was the AC response.**

- F-38 The Auditor-Controller agreed with 2002-03 Grand Jury recommendation R-3 that the BOS take active responsibility for internal audit resources, including annual budget, staffing size, salaries, and position classification.

**Response: Do Not Concur.**

***The Auditor-Controller's response stated, "We partially concur with the recommendation. The Auditor-Controller's responsibility is to request additional resources. It has been noted in several public settings that the audit function becomes more important, particularly when faced with difficult financial times. Implementation requires additional County resources."***

- F-39 The BOS responded to recommendation R-3 in the 2002-03 Grand Jury report by suggesting that individual departments deal with the issue of internal audits through reorganization and the reallocation of resources.

**Response: Concur With Clarification.**

**The response of the Board of Supervisors dealt with proper allocation of limited resources. The Board of Supervisors**

**response was "during times of increasingly scarce resources, any requests for additional internal audit resources would need to compete with requests to fund other high priority public programs and services. As an alternative to appropriating additional resources to meet critical functions, departments are encouraged whenever possible to consider internal reorganizations and evaluate reallocation of their existing resources."**

- F-40 In the Auditor-Controller's May 12, 2004, response to the report "Anatomy of an Audit" of the 2003-2004 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "We do not have sufficient audit resources to establish a meaningful audit program for the County."

**Response: Concur With Clarification.**

**This response needs to be taken in context of the recommendation to which the Auditor-Controller was responding. The recommendation was "Audit Division and HSA should develop more effective contingency plans to cover key personnel changes." The full response of the Auditor-Controller was "Although we agree with the spirit and intent, we will not be able to implement the recommendation. Currently, the Audit Division has seven and is scheduled to lose two authorized audit staff positions by July 1, 2004, because of budgetary reductions. Of the seven authorized positions, four are vacant because of budgetary constraints and also the hiring freeze. We do not have sufficient audit resources to establish a meaningful audit program for the County let alone audit resource to develop more effective contingency plans to cover key personnel changes."**

#### **Internal Control Self-Assessment Program**

- F-41 Government Code §26881 states, "...Auditor-Controller shall prescribe, and shall exercise general supervision, including the ability to review department and countywide internal controls."

**Response: Concur With Clarification.**

**"Upon order of the board of supervisors the auditor or auditor-controller shall prescribe, and shall exercise a general supervision over, the accounting forms and the method of keeping the accounts of all offices, departments and institutions under the**

***control of the board of supervisors and of all districts whose funds are kept in the county treasury."***

- F-42 Auditing, whether contracted through independent CPA firms or performed by the Audit Division, is one of the means used by the Office of the Auditor-Controller to fulfill its statutory responsibilities.

**Response: Concur.**

- F-43 Under government auditing standards, department management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations.

**Response: Concur.**

- F-44 The tri-annual Departmental Internal Control Self-Assessment Program was initiated by the Auditor-Controller and the CEO in February 2004. Under this plan, every department is responsible for reviewing its internal controls, determining risk areas within its operations, and strengthening its internal control structure.

**Response: Concur.**

- F-45 The initial efforts of the Internal Control Self-Assessment Program were developed to assist departments to perform the review. Thereafter, the Audit Division would periodically assess each department's implementation of the Self-Assessment Program and recommend necessary corrective actions.

**Response: Concur.**

- F-46 Not all county agencies completed the questionnaires and returned them to the Auditor-Controller as required by the Departmental Internal Control Self-Assessment Program. Among those not in compliance was the office of Treasurer-Tax Collector.

**Response: Concur.**

F-47 As a result of staff reductions in the Audit Division, no follow-up or review of the Internal Control Self-Assessment Questionnaires has been done.

**Response: Concur in Part.**

**Conclusion not a finding. Follow-up on compliance with filing requirement is easily handled as a clerical function. Review of self-assessment and providing advice obviously would require audit expertise.**

F-48 While all departments have been directed to report to the Auditor-Controller when weaknesses in internal controls are found, compliance is inconsistent.

**Response: Part of the Internal Control Self Assessments which are submitted to the Auditor-Controller would assist in identifying weakness in internal controls. If this is the direction the Grand Jury report references, then we concur that compliance has not been at 100%.**

#### **A Breakdown of Internal Controls**

F-49 In 2005, embezzlement was discovered in the Public Guardian's Office, resulting in part from a breakdown in that office's internal controls.

**Response: Concur.**

F-50 The Auditor-Controller was not involved in detecting or correcting the breakdown in internal controls in the Public Guardian's Office.

**Response: Concur in Part.**

**The Auditor-Controller did not make corrections in internal controls of the Public Guardian's office, and was not responsible to do so. The Auditor-Controller did write a report that detected weaknesses in internal control and brought it to the attention of the Public Guardian, as did a previous Grand Jury.**

- F-51 A criminal investigation of embezzlement within the Public Guardian's Office and indictments of those accused in those crimes cost Ventura County over \$628,000 through the end of November 2006.

**Response: Concur With Clarification.**

The basis of the claimed costs is not provided in the report, but it is expected the total cost will approach \$1 million. The "loss" from the embezzlement is estimated to be \$10,000. The remainder of the cost is composed of staff time, District Attorney investigation and prosecution time, and the Board-ordered outside independent audit (see F-53).

- F-52 Restitution to four victims of embezzlement in the Public Guardian's Office cost Ventura County more than \$81,000, plus an additional amount still under negotiation with a fifth victim. Continuing investigation may uncover additional victims.

**Response: Concur With Clarification.**

Disagree with the amount of the net loss, but agree there was some and it is possible that additional victims may be discovered. There are no pending "negotiations" with a victim. After two years of investigation the probability of discovering additional victims is unlikely.

- F-53 The County has contracted for an outside audit of the Public Guardian's Office at a cost of \$56,750, with an option to expand that audit to include the entire office of the Treasurer-Tax Collector.

**Response: Concur.**

- F-54 California statutes provide that the Auditor-Controller has the authority and responsibility for the County's audit program.

**Response: Concur in Part.**

Pursuant to Government Code Section 26883 the Board of Supervisors instructed the Auditor-Controller to perform audits.

### **Independent CPA Firms**

F-55 The Auditor-Controller hires an independent Certified Public Accounting (CPA) firm each year to perform a financial statement audit and express opinion on those financial statements.

**Response: Concur With Clarification.**

**The County contracts with an outside auditor on recommendation of the Auditor-Controller to the Board of Supervisors.**

F-56 The independent auditor does not evaluate or express an opinion on the effectiveness of the County's internal controls.

**Response: Concur in Part.**

**As part of the financial audit, the independent auditor will evaluate internal controls to determine their level of substantive testing. Although the independent auditors do not express an opinion on the effectiveness of the County's internal controls, they do prepare a management letter discussing deficiencies in controls that they believe should be addressed.**

F-57 The Auditor-Controller has changed audit firms three times in the past three years.

- KPMG performed the fiscal year 2003-2004 audit.
- Macias Gina performed the fiscal year 2004-2005 audit.
- Vavrine, Trine, Day performed the fiscal year 2005-2006 audit. Each of these firms was paid approximately \$150,000 for their services.

**Response: Concur With Clarification.**

**The County changed audit firms based on the recommendation of the Auditor-Controller to the Board of Sueprvisors.**

F-58 Changes in financial audit firms were due to pricing, failure to provide services per contract, and quality of services.

**Response: Concur.**



**Do not disagree, but this is more a conclusion than a finding. A review of the Auditor-Controller's letters presenting the KPMG, Macias and Vavrinek contracts to the Board indicated that the Auditor-Controller believed that each contractor would "provide the best value considering such factors as experience with and knowledge of County operations, size of the firm and availability of resources, and audit approach and experience with similar size counties." It should also be noted that the contracts were potentially for multi-year services, "...subject to satisfactory performance and approval by the Board of Supervisors." The fact that the Auditor-Controller did not recommend the Board continue either the KPMG or Macias contract would indicate the Auditor-Controller was not satisfied with some aspect of either cost or performance.**

- F-59** The CEO allocates funds to selected departments for independent management audits (e.g., review of internal controls, evaluation of department procedures and processes). Departments receiving such budget allocations are not required to notify the CEO if their audits do not exceed \$10,000.

**Response: Concur in Part.**

**The CEO does not specifically allocate funds to departments for independent management audits. Occasionally, a department will request additional funding for such an audit and it will be evaluated in conjunction with all other requests for funds. A department has the ability within their allocated budget to fund audits, management reports, and studies to improve operations of the department.**

- F-60** The Auditor-Controller is not included in the decision to hire management auditors, setting the scope of the audits, or informed as to the results of the work.

**Response: Do Not Concur.**

**Depending on the type and scope of audit, the Auditor-Controller may be directly involved.**

- F-61** Department heads are routinely notified that the Auditor-Controller should be involved in scheduling outside audits and participating in audit exit interviews.

**Response: The CEO is unfamiliar with the referenced notices and has not seen any reports from the Auditor-Controller identifying departments that have failed to comply.**

### **Audit Committee**

- F-62 In 1997 and again in 2002, the Government Finance Officers Associate (GFOA) recommended that every government entity should establish an audit committee or its equivalent. [Ref-01].
- F-63 The auditor of a state or local government's financial statements must be independent, both in fact and in appearance. A properly constituted audit committee helps to enhance the financial statement auditor's real and perceived independence by providing a direct link between the auditor and the governing board. [Ref-01]
- F-64 One role of an audit committee is to facilitate communication between management, the auditors, and the governing board.
- F-65 The GFOA recommends the use of an audit committee to limit the reliance of governing bodies on the technical expertise of the independent auditor.
- F-66 According to the GFOA, an audit committee is also useful in helping to focus and document the government's process for managing the financial statement audit.

**Response: To F-62, F-63, F-64, F-65, and F-66**

**These are all statements taken from Recommended Practices adopted by the GFOA Executive Committee in October 2002. The primary focus is the independence "in fact and appearance" of the auditor of local government's financial statements. The responsibility for preparation of financial statements varies across local government entities and within the same type of entities. The responsibility for auditing also varies; in some cities the auditor is an appointed position. Here at the County, that responsibility has been delegated to the elected Auditor Controller. GFOA guidance is advisory due to these vast differences in governmental structures. If the independence of the audit review of the County's financial statements is in question, then there may be value to the Board of Supervisors in exploring ways to increase the independence, one of which may be an audit oversight committee.**

- F-67 The BOS approved a resolution on March 15, 1983, to create an Audit Advisory Committee. This action was prompted by Recommendation #1 in the report "Auditor-Controller" of the 1981-1982 Ventura County Grand Jury

**Response: Concur in Part.**

**There is no record of a resolution in connection with this matter. A board letter from Norman R. Hawkes, Auditor-Controller dated March 10, 1983 was approved by the Board of Supervisors on March 15, 1983. The full text of the recommendation contained in the Board Letter reads as follows:**

***"Recommendation: Your Board is requested and it is recommended that you support the concept of an audit advisory committee for Ventura County and that you appoint Supervisor John Flynn to serve on that committee."***

- F-68 An Audit Advisory Committee of seven members – including a County Supervisor – was appointed in accord with the BOS resolution. However, the Audit Advisory Committee was never able to obtain a quorum for conducting a meeting and subsequently ceased to exist. In the Auditor-Controller's response to the 2002-03 Grand Jury report, the BOS was informed that the Audit Advisory Committee no longer existed.

**Response: Concur in Part.**

**Again, there is no record of a resolution in connection with this issue. The full text of both finding F-14 from the 2002-2003 Grand Jury Report on "Independent Auditing within Ventura County Government", and the Auditor-Controller's response is provided below:**

***"F-14 Past Boards of Supervisors had members participating in an Audit Advisory Board. For the current Board of Supervisors, visibility into the audit process had been limited to the end product."***

***"Response: We partially concur with the finding. During the mid-80's an Audit Advisory Committee existed. It ended due to lack of attendance at meetings. The Auditor-Controller has always been available to the Board of Supervisors, and input is requested for audit planning purposes each year from the Board of Supervisors, department heads and***

***County Executive Office. With the Fraud Hotline, semiannual reporting has been made to the Board of Supervisors."***

F-69 The CEO is tasked by the CEO Ordinance to track BOS directives and to monitor their implementation.

**Response: Concur.**

F-70 The 2002-03 Grand Jury report "Independent Auditing within Ventura County Government" recommended that the BOS establish an oversight mechanism such as an independent audit committee.

"R-1. In order to insure that the County meets the newer standards for independent audit the Board of Supervisors establish an effective oversight mechanism to insure adequate audit resources and independence.

"R-2. The Grand Jury recommends the establishment of an Audit Oversight Committee reporting to the Board of Supervisors. This committee would be charged with responsibility for oversight of internal controls and independent audits within the County. It would be composed of a Chair, a Co-Chair, The Chief Executive Officer, the Auditor-Controller, the Treasurer-Tax collector as a non-voting member, and one outside member from the private sector appointed by the Board of Supervisors. The Purpose of this committee would be:

- A. Oversee the establishment and maintenance of the County's internal control structure.
- B. Oversee the quality of financial reporting activities.
- C. Oversee and monitor County compliance with internal controls, pertinent laws, regulations and standards.
- D. Oversee the resources allocated to the internal control and internal audit functions.
- E. Receive regular briefings from the internal audit staff on all planned and in process audits.
- F. Study the Orange County paradigm to internal audits with a view to avoiding potential audit weaknesses.

- G. Review the possibility of separation of the duties of Auditor-Controller. The Auditor responsibilities would return to its elected status while the Controller responsibility would report to the CEO.”

**Response: Concur.**

**This is a portion of the recommendations presented in the 2002-03 Grand Jury Report**

- F-71 The responses from the BOS, CEO, and Auditor-Controller to recommendations R-1 and R-2 in the 2002-03 Grand Jury report were generally positive.

**Response: Concur in Part.**

**The actual response was that the CEO “partially concur” to both recommendations and while the Auditor-Controller “partially concurred” with R-1 and agreed with the “spirit” of R-2, but there were specific concerns identified with the list of items A-G.**

- F-72 The Auditor-Controller agreed to coordinate with the BOS and the CEO to determine the best course of action in the establishment of an Audit Oversight Committee by September 30, 2003.

**Response: Concur.**

- F-73 Action to create an Audit Oversight Committee was never taken.

**Response: The CEO is unfamiliar with the research, activity and action the Auditor-Controller may have undertaken internally relative to making a recommendation on establishing an Audit Oversight Committee. However, time and energy was invested in addressing other 2002-03 Grand Jury recommendations, including the issue of internal controls. The Auditor-Controller and the CEO jointly launched the Departmental Internal Control Self-Assessment Program.**

## **Conclusions**

- C-1 By State law, the Auditor-Controller, an elected official, is charged with responsibilities normally associated with those of a chief financial officer. The independence and effectiveness of the Auditor-Controller to perform essential elements of its statutory requirements, including operational audits for the County of Ventura, have been negatively impacted over the past six years. (F-01, F-02, F-03, F-09, F-40, F-54)

**Response: Do Not Concur.**

**The Auditor-Controller is not charged with responsibilities normally associated with those of chief financial officer. State law provides that the Auditor-Controller is the chief accounting officer. Other duties normally associated with a chief financial officer such as investment and treasury functions, risk management, financial forecasting, debt administration, and budgeting are located in offices other than the Auditor-Controller.**

**The independence of the Auditor-Controller has not been impacted over the past six years. The Auditor-Controller, like all departments in the County, has been required to make tough management decisions over allocation of scarce resources impacting the department's ability to perform all desired functions. However, the Auditor-Controller's ability to perform essential elements of the statutory requirements has not been impaired.**

- C-02 Beginning with the adoption of County Ordinance No. 4235 (CEO Ordinance), the Auditor-Controller's audit function has been compromised by reduced audit staff, reduced budgeted salaries, and potentially insufficient budget for engaging outside auditors. (F-05, F-07, F-18, F-21, F-23, F-24, F-27, F-31, F-34)

**Response: Do Not Concur.**

**The reasoning is fallacious and the facts do not support the conclusion. The Auditor-Controller has continued to perform mandatory audits and did detect weaknesses in internal controls in the Guardian's Office.**

- C-03 As an elected official, the Auditor-Controller reports directly to the voters. However, the appointed CEO exercises control over elected officials through the budget process (F-04, F-07, F-08, F-10, F-12, F-13)

**Response: Do Not Concur.**

**The CEO's recommendation undisputedly carries weight in budget deliberation, but he neither approves budgets, nor impedes any department head elected or appointed from publicly making their case before the Board of Supervisors in competition with other worthy programs.**

- C-04 The Auditor-Controller's advice is seldom requested by the BOS on fiscal, budget, or audit issues. As a result of not being included in these important issues, the Auditor-Controller's fiduciary responsibility to the electorate could be compromised. (F-07, F-10, F-12, F-13, F-17, F-60)

**Response: Do Not Concur.**

**The Auditor-Controller receives advanced copies of Board letters. Matters are discussed and continued if the Auditor-Controller expresses concern, or requests delay for additional analysis. The Auditor-Controller has permanent seat on the dais and is welcome to comment and discuss any and all items on agenda. By law and practice, no invitation is required.**

- C-05 The BOS and the CEO have not taken seriously the recommendations of the Government Finance Officers Association and prior Ventura County Grand Jury reports regarding the importance and benefits of a properly constituted audit committee. (F-31, F-37 through F-40, F-60, F-62, F-67, F-68, F-70, F-72, F-73)

**Response: Do Not Concur.**

**The Government Finance Officers Association recommendation has been considered and found lacking in practicality. However, it should be looked at again in context of more recent statewide local government experience.**

- C-06 The Auditor-Controller has not been involved in, and is not aware of, "audits" performed by staff in various county departments. Reviews of books and records by departmental staff may yield some interesting information for management purposes. However, they are not independent, and they should not be construed as audits. (F-54, F-59, F-60, F-61)

**Response: Concur in Part.**

**These reviews are not audits in a formal sense and are not construed as such. Even so, the Auditor-Controller has the ability to track any contracts for auditing through the Purchasing Department and can obtain copies of all reports as can the CEO, Board of Supervisors, and the public.**

- C-07** A breakdown of internal controls in the public Guardian's Office was not detected because budget cuts compromised the Auditor-Controller's ability to audit that office. Resulting embezzlement has cost the County more than \$765,000 in restitution to victims, investigation of crimes, and a subsequent audit by an outside firm, with unknown additional future costs. (F-46 through F-53)

**Response: Do Not Concur.**

**The breakdown in the internal controls was detected by both the Auditor-Controller and previous Grand Juries. The Treasurer failed to make corrections and the District Attorney spent a substantial amount of time/money on this investigation and prosecution.**

- C-08** The CEO makes all the important decisions for the County, subject to ratification by the BOS. (F-05, F-06, F-17, F-18)

**Response: Do Not Concur.**

**The CEO makes very few decisions in the County. He does make recommendations on most of the important decisions which he is required to do by law and Board policy.**

- C-09** The elected Treasurer-Tax Collector is the appointed Public Guardian for Ventura County. Thus, the Treasurer-Tax Collector bears the primary responsibility for embezzlement within the Public Guardian's Office. The Treasurer-Tax Collector neglected to supervise that office, failed to implement recommendations of the 2001-2002 Grand Jury, and did not comply with the Auditor-Controller's Internal Control Self-Assessment Program. However, responsibility for this embezzlement additionally falls on other County officials:

- The CEO failed to comply with the CEO Ordinance by not budgeting sufficient resources to maintain an effective audit program within the Audit Division, relying instead on each department to audit itself.



- The BOS failed to ensure that the CEO was in compliance with the CEO Ordinance. The BOS ignored repeated requests from the Auditor-Controller for resources needed to audit internal controls of all County agencies and their departments. The BOS failed to heed prior Grand Jury concerns about the Public Guardian's Office and the Audit Division and failed to implement recommendations based on those concerns.
- The Auditor-Controller's requests for resources lacked sufficient justification and urgency to convince the BOS to override objections by the CEO.

**Response: Concur in Part.**

**The Treasurer-Tax Collector has acknowledged his responsibility for the failure and has taken steps to improve internal controls. Other County officials could have done more to pressure the Treasurer-Tax Collector on internal controls, but that may or may not have prevented the embezzlement.**

**The CEO did not fail to comply with the CEO Ordinance. All required audits were performed.**

**The CEO did not object to the Auditor-Controller receiving sufficient resources, nor did the Board deny sufficient resources. The Auditor appears to have been unable to make full use of resources provided.**

- C-10 Each County agency is responsible for developing and implementing its own internal controls, with little or no external oversight into the effectiveness of those controls and whether there is compliance. This lack of external oversight creates risk of further losses for the County. (F-33, F-34, F-35, F-44, F-46, F-47, F-48)

**Response: Concur in Part.**

**There is always some risk, even with external oversight as in the case of the Guardian's Office. Nonetheless, more needs to be done.**

- C-11 In addition to financial losses, the County has exposed itself to loss from ineffective procedures and practices as a consequence of significantly reduced auditing capability. (F-35, F-36, F-38, F-51)

**Response: Concur in Part.**

**Reduced audits can increase risk of loss from weaknesses in internal controls and inefficient operating practices. However, funding does not appear to be the cause of any reduction in audit capability to date.**

- C-12 A properly constituted audit committee would enhance the independence of and provide a direct communication link between the Auditor-Controller and the BOS. An audit committee would also reduce the dependence of the BOS upon the technical expertise provided by the CEO. (F-08, F-09, F-10, F-13, F-18, F-63, F-64, F-65)

**Response: Concur in Part.**

**A properly constituted audit committee may enhance the Board of Supervisors administration and control over the audit function that is currently delegated to the Auditor-Controller. However, the Auditor-Controller currently has a direct communication link to the BOS. An audit committee may be of value, but if intended to be a go-between for Auditor-Controller to BOS, it would actually break the direct link that exists.**

- C-13 The CEO has control of the agendas for BOS meetings, determining what issues will be represented for action. Effectively, elected officials must defer to the appointed CEO when they want BOS actions. (F-06, F-08, F-11)

**Response: Do Not Concur.**

**All elected officials have the right to place any issue they wish on the Board agenda and they do so regularly. In only one instance has the CEO ever made a recommendation opposing the substance of an issue brought by an elected official, and only after it was placed on the agenda for public discussion.**

- C-14 The CEO has failed to comply with the provision in the CEO ordinance that mandates maintenance of "...an adequate internal auditing system." Budgets for the Auditor-Controller developed by the CEO have left the Audit Division understaffed and with primarily junior-level personnel. As a consequence of denying appeals from the Auditor-Controller for additional resources, the BOS accepts this violation of its CEO Ordinance and is thus responsible for the consequences of an ineffective audit program. The Auditor-Controller must share in that responsibility by not presenting a sufficiently forceful argument to the BOS to override the CEO's recommended budget for the Auditor-Controller. (F-09, F-10, F-13, F-15, F-16, F-18, F-21, F-23, F-27, F-31, F-34, F-35)

**Response: Do Not Concur.**

**Conclusion is based on flawed findings. The Auditor-Controller has received proportional share of scarce resources, has not filled all the positions authorized, has not spent budget approved by the Board, and has met her obligation to perform all mandated audits.**

- C-15 The Auditor-Controller established a tri-annual Internal Control Self-Assessment Program, which the CEO and BOS endorsed. The head of each agency was required to ensure that its departments complete a detailed questionnaire to identify weaknesses in their internal controls. The Audit Division was responsible for reviewing the questionnaires to determine completeness, noting problem areas, assisting agencies with developing corrective procedures, and performing audits to ensure implementation of procedures. This program proved inadequate to ensure that the internal controls in the various County agencies were enforced. Not all agencies responded to the questionnaire. Audit Division staff is not adequate to review the questionnaires and follow up on their findings. (F-44, F-46, F-47, F-48)

**Response: Concur in Part.**

**Agree with the conclusions stated up to the last sentence. The ability to follow-up on these questionnaires would have to be prioritized by the Auditor-Controller along with other work. The statement that the audit division staff is not adequate is not conclusive from the data presented. Auditor-Controller had sufficient resources to report the Treasurer's failure to complete the self-assessment questionnaire.**

- C-16 The BOS and CEO have ignored repeated warnings by the Auditor-Controller regarding the weakening of the Audit Division. The Audit Division's inability to "...establish a meaningful audit program for the County..." contributed to an environment where theft and embezzlement in the Public Guardian's Office were made possible. (F-21, F-23, F-27, F-29, F-30, F-31, F-34, F-36 through F-40)

**Response: Do Not Concur.**

**The environment where theft and embezzlement occurred in the Guardian's Office was previously detected by the Auditor-Controller, but not corrected by the Public Guardian. The Auditor-Controller received approval from the Board of Supervisors for more resources than she was able to use, making the lack of additional resources moot.**

- C-17 The CEO Ordinance has concentrated the County's fiscal and financial operations in the CEO's Office. Inadequate budget resources in the Auditor-Controller's Audit Division have reduced that organization's ability to provide an effective County audit function. A key consequence is the dilution of the checks and balances needed in government to ensure the integrity of its operations. This potentially impacts public confidence in County government. (F-07, F-14 through F-18, F-21, F-23, F-24, F-25, F-27, F-31, F-33, F-48, F-60)

**Response: Do Not Concur, Except for Last Sentence.**

**Failure of any sort, particularly to correct known deficiency in control does impact public confidence in government. However, the weaknesses to the extent they may exist are neither the result of inadequate budget resources nor from placing more financial responsibility with the CEO. The Board of Supervisors provided more resources than the Auditor-Controller was able to use. The prioritization and production of work is a departmental responsibility. Checks and balances were not diluted by lack of appropriations and authority. The failure in the Guardian's office was not a failure to audit. It was a management failure to correct.**

### **Recommendations**

- R-01 The Grand Jury urges the BOS to establish an independent Ventura County Audit Committee by ordinance, using guidelines provided by the Government Finance Officers Associations (GFOA, Ref-01). Because many of the County agencies that would be audited report to the CEO,

the CEO should not recruit or recommend members for the Audit Committee in order to ensure the integrity of the audit process and the independence of the Committee. Although the function of the Audit Committee is to support the efforts of the Auditor-Controller and work cooperatively with that office, independence of the Audit Committee also requires that its members not be recruited or recommended by the Auditor-Controller. (C-01, C-05, C-12, C-17)

**Response: Concur in Part.**

**The establishment of some sort of audit oversight committee could add value. Disagree that the function is to support the Auditor-Controller. The function should be to support the Board of Supervisors in making sure County management (including CEO and Auditor-Controller) is meeting its responsibility to provide adequate internal controls and is being efficient and effective in carrying out their other responsibilities.**

R-02 County Ordinance No. 4235 (the CEO Ordinance) should be amended in §7.3 to make clear that the CEO must place any item presented by an elected Ventura County official on the BOS agenda (C-08, C-13)

**Response: Do Not Concur.**

**The ordinance does not need to be amended. Elected officials are aware of their right to place items on the Board's agenda. The law and policy are not unclear and no elected has been denied. Board policy requires that all requests from elected officers be placed on the agenda for discussion.**

R-03 The BOS and the Auditor-Controller should ensure that the CEO complies with the CEO Ordinance with regard to the audit function (§6.a.5). This compliance should be reviewed annually by the BOS as part of the CEO's performance review. (C-02, C-14, C-17)

**Response: Concur in Part.**

**The CEO must and does comply with all ordinances, including the CEO ordinance. The Board does ensure that the CEO complies with all laws and evaluates this continuously. The Auditor-Controller is already legally responsible for reporting on failures relating to the audit function or violations of the law.**

- R-04 The BOS and CEO should develop an ongoing process to monitor how County agencies implement Grand Jury recommendations with which they agree. This process should ensure that each affected agency named in the report be made aware of actions other affected agencies are taking, including agencies headed by elected officials. The CEO should present semi-annual reports to the BOS and the Grand Jury on progress toward implementing those agreed-upon recommendations. This recommendation applies to all present and future Grand Jury reports that address County agencies and operations. (C-09)

**Response: Concur in Part.**

**Reporting on progress of agreed to Grand Jury recommendations already occurs. A more systematized method of tracking progress may be desirable, and having the CEO be responsible for reports is not inappropriate. However, the frequency of reports should be determined by the nature of each recommendation.**

- R-05 The Auditor-Controller should issue semi-annual reports on the Internal Control Self-Assessment Program to both the BOS and the Audit Committee on compliance, potential weaknesses in internal controls, and recommended corrective actions. The BOS must budget sufficient resources to make this Program effective. (C-01, C-07, C-09, C-10, C-11, C-15, C-16)

**Response: Concur in Part.**

**There should be public reports starting with compliance, delinquency, and progress on corrective actions being taken. The matter of sufficient resources and program effectiveness is a responsibility of the Board of Supervisors in providing for all County functions under the California Budget Act and the use of limited funds is always debatable. The frequency of reporting should be determined by the condition of internal controls within each department and the risk exposure.**

- R-06 The BOS should adopt an ordinance requiring the Auditor-Controller's signature on any contract between a County agency and an independent, outside CPA or management firm for any management, operational, financial, or internal control audit or review of a department within that agency. Such contracts must require that the Auditor-Controller receive any interim and final reports issued to the contracting agency by the outside firm. (C-04, C-06)

**Response: Do Not Concur.**

**An ordinance is not required for the involvement of the Auditor-Controller in outside reviews. The Auditor-Controller already reviews contracts for payment and has the ability to ask questions at any time. The County is a \$1.6 billion corporation with 27 departments/agencies and 130 budget units. There are numerous bureaucratic steps to doing most things. Adding additional steps to any process can impede the efforts of a department to improve its internal operations by making them unnecessarily cumbersome.**

- R-07 The BOS should not act on any fiscal or financial issue without first obtaining and acknowledging a written opinion from the Auditor-Controller. This includes, but is not limited to, actions on personnel issues (staffing levels, compensation, and benefits), budgets (including revisions to budgets already adopted), and debt financing. (C-01, C-04, C-17)

**Response: Do Not Concur.**

**This recommendation goes well beyond the authority and responsibility of the Auditor-Controller. It has the potential to paralyze operation, subordinates the Board of Supervisors and all County management, elected and appointed to what in effect could become a "pocket veto." The Auditor-Controller already has the opportunity, the right and responsibility to express opinions and to ask for additional time to review matters of concern.**

R-08 The BOS must provide sufficient budgeted resources to the Auditor-Controller to audit each County agency at least once every three years. The BOS must also direct each County organization operating as an enterprise fund to budget sufficient funds to pay the Auditor-Controller to audit them annually. (C-02, C-07, C-09, C-10, C-11, C-14 through C-17)

**Response: Concur in Part.**

**County agencies should be audited more frequently in some areas. However, this is a cost/benefit consideration depending on what kind of audit is being contemplated and what kind of risk is involved. The County does perform all legally required audits, so we are referring to discretionary audits. Obviously, funds need to be provided to pay for desired audits.**

### **Responses**

#### Responses Required From:

Board of Supervisors (R-01, R-02, R-03, R-04, R-06, R-07, R-08)

Auditor-Controller (R-03, R-05, R-07)

#### Responses Requested From:

County Executive Officer (R-04)

### **References**

Ref-01 *Recommended Practice, Establishment of Audit Committees;* Government Finance Officers Association; October 25, 2002; see <<http://www.gfoa.org/services/rp/caafr-establishment-audit-committee.pdf>>

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CHRISTINE L. COHEN  
AUDITOR-CONTROLLER  
County of Ventura  
100 South Victoria Avenue  
Ventura, CA 93009-1540



*adw*

CHIEF DEPUTIES  
LOUISE WEBSTER  
SANDRA BICKFORD  
BARBARA BEATTY  
JOANNE McDONALD

RECEIVED  
VENTURA COUNTY SUPERIOR COURT

June 11, 2007

JUN 13 2007

OFFICE OF THE  
PRESIDING JUDGE

Honorable Colleen "Toy" White  
Presiding Judge of the Superior Court  
800 South Victoria Avenue  
Ventura, California 93009

Dear Judge White:

The following represents the comments from the Auditor-Controller to the Ventura County Grand Jury Final Report FY 2006-2007, as required by Penal Code section 933.

Given the magnitude of the topic in question, I have chosen to respond to each finding, conclusion and recommendation (see attached).

I appreciate the opportunity to respond to the recommendations of the Grand Jury. Please do not hesitate to call me at (805) 654-3151 if you have any questions or require any additional information.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Christine L. Cohen", written over a horizontal line.

Christine L. Cohen  
Auditor-Controller

CC: Honorable Linda Parks, Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Kathy Long, Board of Supervisors  
Honorable Peter Foy, Board of Supervisors  
Honorable John Flynn, Board of Supervisors  
Honorable Philip J. Schmit, County Clerk and Recorder  
John F. Johnston, County Executive Officer

F-01. The Ventura County Auditor-Controller is an elected official who is required to meet the qualifications for the position of Auditor described in California Government Code §26945.

Response: Agree.

F-02. The Auditor-Controller is the County of Ventura's Chief Financial Officer and maintains all basic financial information, analyzes accounting reports, and makes appropriate recommendations to the Board of Supervisors (BOS) and County agencies relating to the County's financial condition.

Response: Respectfully disagree. The Auditor-Controller is the Chief Accounting Officer. As such, this office is responsible for countywide accounting systems, compiling and filing of financial reports including the Comprehensive Annual Financial Report (CAFR), which is audited by external auditors, and completing various other duties as prescribed.

F-03. The Auditor-Controller is responsible for financial compliance and operational audits of County agencies, public authorities, and dependent districts.

Response: Agree.

F-04. The BOS is the governing body of Ventura County. The Board has the authority to adopt ordinances and make appropriations. The final budgets of agencies under both elected and appointed County officials are approved by the BOS.

Response: Agree.

F-05. County Ordinance No. 4235 (CEO Ordinance) was adopted by the BOS on May 22, 2001, less than two months after the current County Executive Officer (CEO) was hired, to redefine that position and to re-title it from County Administrative Officer to County Executive Officer.

Response: Respectfully disagree. Ordinance 4224 was adopted December 5, 2000 and it is this ordinance that set in place the shift in responsibilities. This ordinance was subsequently amended by the Board of Supervisors on May 22, 2001 with Ordinance 4235, changing the name from Chief Administrative Officer to County Executive Officer. Ordinance 4265 adopted by the Board of Supervisors on June 4, 2002 made the Clerk of the Board of Supervisors an appointed position and amended Ordinances 4224 and 4235 to appoint the County Executive Officer ex-officio Clerk of the Board.

F-06. The CEO Ordinance reflected a change in the role of the County's chief employee from an administrator to an executive.

Response: Partially agree. The change in role took place in Ordinance 4224. The change in title took place in Ordinance 4235.

F-07. The CEO Ordinance changed budgeting responsibility from the Auditor-Controller to the CEO. This consolidated budgeting and finance under one office.

Response: Respectfully disagree. The ordinance tightened up the CEO's budget and debt

issuance responsibilities but did not remove the statutory responsibilities of the Auditor-Controller which include the review of estimated financing sources, recording the budget and filing the adopted budget with the State.

F-08. The CEO Ordinance states, "All departmental requests for Board action shall be through the CEO. Board members are encouraged to seek both CEO and County Counsel review of proposed items."

Response: Agree.

F-09. The CEO Ordinance established specific duties and responsibilities of the CEO including, "The CEO shall, in cooperation with the Auditor-Controller, supervise, direct, review, and maintain an adequate internal auditing system."

Response: Agree.

F-10. Supervisors rely on the CEO and his staff for recommendations on financial management issues.

Response: Partially agree. The members of the Board of Supervisors consult with the Auditor-Controller from time to time.

F-11. The CEO and the Chairman of the BOS set the time allocations for the BOS discussion of agenda items.

Response: Agree.

F-12. The Auditor-Controller is often involved late or not involved at all in reviewing issues being decided by the BOS that affect the fiscal health of the County.

Response: Agree. In general, corrective action has been taken by the CEO to enforce the County policy of providing 10 working days to review items before being filed on the Board agenda.

F-13. The Auditor-Controller is rarely asked by the BOS for an opinion on issues that affect the fiscal health of the County.

Response: Partially agree. However, the role of the Auditor-Controller is to advise the Board on matters pertaining to accounting and financial reporting. Reporting of the financial condition of the County normally takes place with the presentation of the annual audit of the County's financial statements (Comprehensive Annual Financial Report).

F-14. Budgeting was transferred from the Auditor-Controller to the CEO because state law requires that the BOS be responsible for the budget. The Auditor-Controller is independently elected and does not report to the BOS.

Response: Respectfully disagree. The allocation of budgetary resources has always been the responsibility of the Board of Supervisors. The role of the Auditor-Controller in the budget process

is to review estimates for revenues/financing sources, to insure the budget is balanced, to record the Board's budgetary decisions, to publish the budget in the format required by the State Controller, among other duties. These duties were not transferred to the CEO.

F-15. The office of the CEO recommends proposed (target) budgets, including the budget for the Auditor-Controller.

Response: Agree. However, each department is able to add supplemental requests, which, together with the target budget established by the CEO, constitutes the department's requested budget, as required by law.

F-16. Agencies requesting budgets greater than the CEO's target budget, including agencies headed by an elected official, must justify their requested increase to the CEO before the overall target budget is submitted to the BOS.

Response: Agree.

F-17. Requests for supplemental funding for budgets not included in the target budget document are presented to the BOS without support or recommendation from the CEO. The BOS rarely approves a supplemental budget request.

Response: Respectfully disagree. The CEO has recommended supplemental requests when, in the determination of the CEO, there are sufficient resources to do so. The Board of Supervisors considers the departmental requests and the CEO recommendations when making their decisions. At times a supplemental request is not required if the CEO has already adjusted the target budget to incorporate budget requests that follow previous Board actions.

F-18. The Auditor-Controller has asked for additional audit staff during the past six years. The appeals to the BOS have been denied, as have requests by other County agencies for additional funding.

Response: Agree. The supplemental requests during the budget hearings for the Auditor-Controller's office have not generally received support. However, some budgetary adjustments have been made mid-year, based on significant system requirements such as the Ventura County Human Resources/Payroll system and Ventura County Financial Management System implementations.

F-19. In the past five years, the office of the Chief Deputy Executive Officer has grown from two employees to approximately 12, with eight analysts reporting directly to the Chief Deputy. Those reporting directly all earn approximately \$100,000 per year.

Response: Respectfully disagree. The description does not take into consideration the organizational changes that took place within the CEO's office, consolidating the Risk Management and Human Resources functions.

F-20. Government Code §26884 states, "In the event the BOS elects to require that the county Auditor-Controller perform the additional services [audit] authorized by this chapter it shall have the power and it shall be its duty to provide the proper appropriations for any additional personnel,

equipment, supplies or expenses made necessary thereby."

Response: Agree.

F-21. The current (March 1, 2007) audit staff consists of two auditors: one with CPA certification and one with a BS degree in accounting. The entry level salary is \$38,000 per year.

Response: Partially agree. The finding considers only the number of filled positions. However, this does not speak to the additional vacant allocations in various stages of recruitment.

F-22. The Audit Division is budgeted for two Auditor III positions at \$50,000 each and two Auditor IV positions at \$70,000 each.

Response: Respectfully disagree. The Audit division is overseen by a Chief Deputy Auditor-Controller, and includes one Fiscal Manager II allocation (working title of Internal Audit Manager) as well, for a total staff of six.

F-23. Current senior level auditor compensation levels are not sufficient to attract and/or retain experienced senior level auditor staff. During 2006, the Audit Division hired three entry-level Auditor I employees at \$38,000 each because experienced Auditor III and Auditor IV auditors could not be recruited.

Response: Partially agree. During 2006 we hired one Auditor I at bottom step and two other auditors at advanced levels (II & III). Not only are we faced with a difficult recruitment at given salary levels, but also with a changing job market, where fewer students choose to enter this field. Also, State Board of Accountancy rules have changed. Audit hours are no longer required for CPA licensing. Without the need for audit hours, candidates often accept higher paying accounting positions with private firms.

F-24. The audit staff in 2003 consisted of seven people: four CPAs (two of whom had Master's degrees), two certified internal auditors, and one certified fraud examiner.

Response: Partially agree. The statement in F-24 is misleading. Although the audit staff did consist of seven people, four of whom were CPAs, the makeup was as follows: one individual with a CPA, CIA, CFE, and Master's degree; one with a CPA and CIA; two with CPA's; one with a Master's degree; and two with Bachelor's degrees.

F-25. The audit staff in 1991 consisted of ten auditors.

Response: Respectfully disagree. The audit division consisted of 11 position allocations in FY 1990-91.

F-26. The Audit Division frequently has open positions which it is unable to fill. The only recruitment advertisement is that which is posted on the County Web site.

Response: Partially agree. Efforts have been made at various functions to "spread the word" on available positions. More recently, stepped up advertisement of available positions have been

published in specialty newsletters and posted with the Government Finance Officers Association, California Society of Municipal Finance Officers, and the like.

F-27. With the exception of the Chief Deputy Auditor-Controller, all current audit staff has been employed by the County for one year or less.

Response: Respectfully disagree. Individuals filling audit positions as of March 1, 2007 had been employed by the County for more than one year.

F-28. The audit staff has been weakened due to turnover of experienced auditors seeking career advancement.

Response: Partially agree. Turnover can be attributed to many reasons, including retirement and other family issues.

F-29. The Audit Plan for 1990-91 for the County of Ventura provided 14,147 direct time audit hours with mostly experienced auditors.

Response: Agree.

F-30. The Audit Plan for 2006-07 for the County of Ventura provided 5,760 hours with mostly inexperienced auditors.

Response: Agree.

F-31. The Audit Division is understaffed in numbers and qualifications. With the exception of mandated audits, only cursory other audit activities are being accomplished.

Response: Partially agree. Although ideal auditors would have a number of certifications and advanced degrees, all current auditors meet or exceed job qualifications. Also, of the 20 audits completed and in progress as of this response during FY 2006-07, 50 percent are mandated and 50 percent are considered discretionary.

F-32. County entities with revenues from fees charged to the public for services rendered are termed "enterprise fund" organizations. Such organizations are not currently being audited except for audits mandated by state and federal laws. For example

- The Department of Airports has not had a comprehensive financial audit since 1989.
- No record can be found of the last comprehensive financial audit of the Harbor Department.

Response: Respectfully disagree. Financial audits are performed where legally or contractually required. The latest annual department of Airports Passenger Facilities fees audit was completed on July 12, 2006. The Harbor department received an audit in the area of financial management in the late 1990's, with the follow-up audit being completed in April 1999.

F-33. In order to accomplish tri-annual audits of all 26 agencies in the County of Ventura, additional

experienced auditors are needed.

Response: Agree.

F-34. In the 2001-2002 budget approved by the BOS, three positions were transferred from the Auditor-Controller's Office to the CEO in order to strengthen the County's financial management. This resulted in a decrease of three auditors in the Audit Division.

Response: Respectfully disagree. Positions supporting some debt issuance functions were transferred to the CEO's office. These were not audit positions. In February of 2001 the Board approved 5 additional audit positions, which were subsequently kept vacant and reduced to meet budgetary targets.

F-35. A supplemental budget request in the amount of \$155,000 by the Auditor-Controller to fund replacing those three positions in the Audit Division was not recommended by the CEO and was subsequently denied by the BOS. The Auditor-Controller informed the BOS that this lack of funding would delay the full implementation of the enhanced audit program by leaving audit positions vacant.

Response: Partially agree. In Fiscal Year 2001-02, the three position allocations referred to above were not eliminated. The funding was reduced, which necessitated three positions be kept vacant.

F-36. In the Auditor-Controller's August 14, 2002, response to the report "The Public Administrator and Public Guardian as Conservator" of the 2001-2002 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "Because of limited audit resources, audits of the PA/PG must compete with other audit requirements and priorities."

Response: Agree.

F-37. In the Auditor-Controller's July 17, 2003, response to the report "Independent Auditing within Ventura County Government" of the 2002 /2003 Ventura County Grand Jury (2002-03 Grand Jury), which was sent to the BOS and the CEO, the Auditor-Controller stated, "... the internal audit function with the Auditor-Controller's Office should be strengthened, particularly in light of difficult financial circumstances." The Auditor-Controller also stated, "We believe the Board of Supervisors is aware of the importance of internal audits for the Auditor-Controller."

Response: Agree.

F-38. The Auditor-Controller agreed with 2002-03 Grand Jury recommendation R-3 that the BOS take active responsibility for internal audit resources, including annual budget, staffing size, salaries, and position classification.

Response: Agree.

F-39. The BOS responded to recommendation R-3 in the 2002-03 Grand Jury report by suggesting that individual departments deal with the issue of internal audits through reorganization and the reallocation of resources.

Response: Respectfully disagree. Although I have just recently received a copy of this response (it was not available on the Grand Jury's website), I believe the above-mentioned finding has been taken out of context. The phrase was a general response to indicate that all departments have the ability to reorganize and reallocate resources to meet specific operational needs, including the Auditor-Controller's Office.

F-40. In the Auditor-Controller's May 12, 2004, response to the report "Anatomy of an Audit" of the 2003-2004 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "We do not have sufficient audit resources to establish a meaningful audit program for the County."

Response: Agree.

F-41. Government Code §26881 states, "...Auditor-Controller shall prescribe, and shall exercise general supervision, including the ability to review departmental and countywide internal controls."

Response: Agree.

F-42. Auditing, whether contracted through independent CPA firms or performed by the Audit Division, is one of the means used by the Office of the Auditor-Controller to fulfill its statutory responsibilities.

Response: Agree.

F-43. Under government auditing standards, department management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations.

Response: Agree.

F-44. The tri-annual Departmental Internal Control Self-Assessment Program was initiated by the Auditor-Controller and the CEO in February 2004. Under this plan, every department is responsible for reviewing its internal controls, determining risk areas within its operations, and strengthening its internal control structure.

Response: Agree.

F-45. The initial efforts of the Internal Control Self-Assessment Program were developed to assist departments to perform the review. Thereafter, the Audit Division would periodically assess each department's implementation of the Self-Assessment Program and recommend necessary corrective actions.

Response: Agree.

F-46. Not all county agencies completed the questionnaires and returned them to the Auditor-Controller as required by the Departmental Internal Control Self-Assessment Program. Among those not in compliance was the office of Treasurer-Tax Collector.



Response: Agree.

F-47. As a result of staff reductions in the Audit Division, no follow-up or review of the Internal Control Self-Assessment Questionnaires has been done.

Response: Agree.

F-48. While all departments have been directed to report to the Auditor Controller when weaknesses in internal controls are found, compliance is inconsistent.

Response: Agree.

F-49. In 2005, embezzlement was discovered in the Public Guardian's Office, resulting in part from a breakdown in that office's internal controls.

Response: Agree.

F-50. The Auditor-Controller was not involved in detecting or correcting the breakdown in internal controls in the Public Guardian's Office.

Response: Respectfully disagree. Our previous audit had identified weaknesses in oversight and controls.

F-51. A criminal investigation of embezzlement within the Public Guardian's Office and indictments of those accused in those crimes cost Ventura County over \$628,000 through the end of November 2006.

Response: Agree.

F-52. Restitution to four victims of embezzlement in the Public Guardian's Office cost Ventura County more than \$81,000, plus an additional amount still under negotiation with a fifth victim. Continuing investigation may uncover additional victims.

Response: Agree.

F-53. The County has contracted for an outside audit of the Public Guardian's Office at a cost of \$56,750, with an option to expand that audit to include the entire Office of the Treasurer-Tax Collector.

Response: Agree.

F-54. California statutes provide that the Auditor-Controller has the authority and responsibility for the County's audit program.

Response: Agree.

F-55. The Auditor-Controller hires an independent Certified Public Accounting (CPA) firm each year to perform a financial statement audit and express an opinion on those financial statements.

Response: Agree.

F-56. The independent auditor does not evaluate or express an opinion on the effectiveness of the County's internal controls.

Response: Partially agree. Although the external auditor does not express an opinion on internal controls, the auditor does consider the County's internal control over financial reporting in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

F-57. The Auditor-Controller has changed audit firms three times in the past three years.

- KPMG performed the fiscal year 2003-2004 audit.
- Macias Gini performed the fiscal year 2004-2005 audit.
- Vavrinek, Trine, Day performed the fiscal year 2005-2006 audit.

Each of these firms was paid approximately \$150,000 for their services.

Response: Agree.

F-58. Changes in financial audit firms were due to pricing, failure to provide services per contract, and quality of services.

Response: Partially agree. It is practice to issue Requests for Proposals for audit services at least once every three to 5 years.

F-59. The CEO allocates funds to selected departments for independent management audits (e.g., review of internal controls, evaluation of department procedures and processes). Departments receiving such budget allocations are not required to notify the CEO if their audits do not exceed \$10,000.

Response: Respectfully disagree. The CEO has budget funds for various management reviews. The CEO has engaged the services for such reviews. Limited coordination took place before such funds were expended, to minimize conflicting priorities with audits scheduled by the internal audit division. In general, departments are not allocated funds for audits. The exception to this is the Health Care Agency, which may engage outside audit firms to review the very specialized issues dealing with medical billings.

F-60. The Auditor-Controller is not included in the decision to hire management auditors, setting the scope of the audits, or informed as to the results of the work.

Response: Partially agree. In the case of the most recent external audit of the Public Guardian/Public Administrator, the Auditor-Controller was consulted in reviewing the scope of the audit and reviewing the draft report.

F-61. Department heads are routinely notified that the Auditor-Controller should be involved in scheduling outside audits and participating in audit exit interviews.

Response: Agree. Although this request is made, it is not consistently followed. Hence, I will be proposing a new policy in the County Administrative Manual to address this issue.

F-62. In 1997 and again in 2002, the Government Finance Officers Association (GFOA) recommended that every governmental entity should establish an audit committee or its equivalent. [Ref-01]

Response: Agree.

F-63. The auditor of a state or local government's financial statements must be independent, both in fact and in appearance. A properly constituted audit committee helps to enhance the financial statement auditor's real and perceived independence by providing a direct link between the auditor and the governing board. [Ref-01]

Response: Agree.

F-64. One role of an audit committee is to facilitate communication between management, the auditors, and the governing board.

Response: Agree.

F-65. The GFOA recommends the use of an audit committee to limit the reliance of governing bodies on the technical expertise of the independent auditor.

Response: Respectfully disagree. This is not a complete description. Many governmental bodies do not have independently elected auditors or even internal auditors. The GFOA recommendations are made on a national basis and are considered good policy from a theoretical point of view. Practical applications may differ, depending on the circumstances in each locality.

F-66. According to the GFOA, an audit committee is also useful in helping to focus and document the government's process for managing the financial statement audit.

Response: Agree.

F-67. The BOS approved a resolution on March 15, 1983, to create an Audit Advisory Committee. This action was prompted by Recommendation #1 in the report "Auditor-Controller" of the 1981-1982 Ventura County Grand Jury.

Response: Agree.

F-68. An Audit Advisory Committee of seven members — including a County Supervisor — was appointed in accord with the BOS resolution. However, the Audit Advisory Committee was never able to obtain a quorum for conducting a meeting and subsequently ceased to exist. In the Auditor-Controller's response to the 2002-03 Grand Jury report, the BOS was informed that the Audit

Advisory Committee no longer existed.

Response: Partially agree. No documentation is available to support whether such committee held regular meetings. No minutes are available.

F-69. The CEO is tasked by the CEO Ordinance to track BOS directives and to monitor their implementation.

Response: Agree.

F-70. The 2002-03 Grand Jury report "Independent Auditing within Ventura County Government" recommended that the BOS establish an oversight mechanism such as an independent audit committee.

*R-1. In order to insure that the County meets the newer standards for independent audit the Board of Supervisors establish an effective oversight mechanism to insure adequate audit resources and independence.*

*R-2. The Grand Jury recommends the establishment of an Audit Oversight Committee reporting to the Board of Supervisors. This committee would be charged with responsibility for oversight of internal controls and independent audits within the County. It would be composed of a Chair, Co-Chair, the Chief Executive Officer, the Auditor-Controller, the Treasurer-Tax collector as a non-voting member, and one outside member from the private sector appointed by the Board of Supervisors. The Purpose of this committee would be:*

*A. Oversee the establishment and maintenance of the County's internal control structure.*

*B. Oversee the quality of financial reporting activities.*

*C. Oversee and monitor County compliance with internal controls, pertinent laws, regulations and standards.*

*D. Oversee the resources allocated to the internal control and internal audit functions.*

*E. Receive regular briefings from the internal audit staff on all planned and in-process audits.*

*F. Study the Orange County paradigm to internal audits with a view to avoiding potential audit weaknesses.*

*G. Review the possibility of separation of the duties of Auditor-Controller. The Auditor responsibilities would return to its elected status while the Controller responsibility would report to the CEO.*

Response: Agree.

F-71. The responses from the BOS, CEO, and Auditor-Controller to recommendations R-1 and R-2 in the 2002-03 Grand Jury report were generally positive.

Response: Agree.

F-72. The Auditor-Controller agreed to coordinate with the BOS and the CEO to determine the best course of action in the establishment of an Audit Oversight Committee by September 30, 2003.

Response: Agree.

F-73. Action to create an Audit Oversight Committee was never taken.

Response: Agree. This is a fluid and ever changing topic dealing with conceptual need for such committee as well as the appropriate role of the committee and membership requirements. Limited information is available on the function of such committees in local governments that have independently elected auditor-controllers.

C-01. By State law, the Auditor-Controller, an elected official, is charged with responsibilities normally associated with those of a chief financial officer. The independence and effectiveness of the Auditor-Controller to perform essential elements of its statutory requirements, including operational audits for the County of Ventura, have been negatively impacted over the past six years. (F-01, F-02, F-03, F-09, F-40, F-54)

Response: Respectfully disagree. The responsibilities are normally associated with those of a chief accounting officer. All county services have been impacted by a variety of financial issues.

C-02. Beginning with the adoption of County Ordinance No. 4235 (CEO Ordinance), the Auditor-Controller's audit function has been compromised by reduced audit staff, reduced budgeted salaries, and potentially insufficient budget for engaging outside auditors. (F-05, F-07, F-18, F-21, F-23, F-24, F-27, F-31, F-34)

Response: Respectfully disagree. The reduced audit staff cannot be attributed to the CEO ordinance, but to the financial condition of the county. However, it is my belief that additional audit resources should be in place particularly when financial conditions are tight.

C-03. As an elected official, the Auditor-Controller reports directly to the voters. However, the appointed CEO exercises control over elected officials through the budget process. (F-04, F-07, F-08, F-10, F-12, F-13)

Response: Respectfully disagree. The Board exercises control over elected officials through the budget process. The CEO provides recommendations to the Board. Also, all county agency/departments, including the elected offices, must comply with the policies and procedures set forth in the County Administrative Manual.

C-04. The Auditor-Controller's advice is seldom requested by the BOS on fiscal, budget, or audit issues. As a result of not being included in these important issues, the Auditor-Controller's fiduciary responsibility to the electorate could be compromised. (F-07, F-10, F-12, F-13, F-17, F-60)

Response: Partially agree. The Auditor-Controller is a member of the Capital Planning Committee and Financial Planning Committee. As such, input is provided during such meetings. Also, the Auditor-Controller's Office is represented at each Board meeting, and provides advice as necessary to correctly record financial transactions.

C-05. The BOS and the CEO have not taken seriously the recommendations of the Government Finance Officers Association and prior Ventura County Grand Jury reports regarding the importance and benefits of a properly constituted audit committee. (F-31, F-37 through F-40, F-59,

F-60, F-62, F-67, F-68, F-70, F-72, F-73)

Response: Respectfully disagree. The recommendation by the GFOA should be followed to the extent value is added. Given the different governing structures in California counties, with most Auditor-Controller's being independently elected, there is some discussion as to the added benefit of establishing such a committee. Some counties in California have established audit committees, but have not measured the additional cost/benefit based on the outcome of the committee work. See response to F-73.

C-06. The Auditor-Controller has not been involved in, and is not aware of, "audits" performed by staff in various county departments. Reviews of books and records by departmental staff may yield some interesting information for management purposes. However, they are not independent, and they should not be construed as audits. (F-54, F-59, F-60, F-61)

Response: Partially agree. Some County departments do notify the Auditor-Controller's Office of other audits being conducted, although such notifications have been sporadic and inconsistent. As mentioned above, a proposal is being prepared for inclusion in the County Administrative Manual to centralize the oversight of all audits performed in departments.

C-07. A breakdown of internal controls in the Public Guardian's Office was not detected because budget cuts compromised the Auditor-Controller's ability to audit that office. Resulting embezzlement has cost the County more than \$765,000 in restitution to victims, investigation of crimes, and a subsequent audit by an outside firm, with unknown additional future costs. (F-46 through F-53)

Response: Respectfully disagree. The breakdown of internal controls had been identified by this office and properly reported. See response to F-50.

C-08. The CEO makes all the important decisions for the County, subject to ratification by the BOS. (F-05, F-06, F-17, F-18)

Response: Respectfully disagree. The CEO makes recommendations to the Board on most matters, unless delegated by the Board to take certain action.

C-09. The elected Treasurer-Tax Collector is the appointed Public Guardian for Ventura County. Thus, the Treasurer-Tax Collector bears the primary responsibility for embezzlement within the Public Guardian's Office. The Treasurer-Tax Collector neglected to supervise that office, failed to implement recommendations of the 2001- 2002 Grand Jury, and did not comply with the Auditor-Controller's Internal Control Self- Assessment Program. However, responsibility for this embezzlement additionally falls on other County officials:

- The CEO failed to comply with the CEO Ordinance by not budgeting sufficient resources to maintain an effective audit program within the Audit Division, relying instead on each department to audit itself.
- The BOS failed to ensure that the CEO was in compliance with the CEO Ordinance. The BOS ignored repeated requests from the Auditor-Controller for resources needed to audit internal controls of all County agencies and their departments. The BOS failed to

heed prior Grand Jury concerns about the Public Guardian's Office and the Audit Division and failed to implement recommendations based on those concerns.

- The Auditor-Controller's requests for resources lacked sufficient justification and urgency to convince the BOS to override objections by the CEO.  
(F-09, F-10, F-13, F-16, F-17, F-18, F-23, F-31, F-34 through F-40, F-44, F-46, F-47, F-49)

Response: Respectfully disagree. The Auditor-Controller made an informative presentation at last year's budget hearing, including anticipation of SOX-type compliance requirements.

C-10. Each County agency is responsible for developing and implementing its own internal controls, with little or no external oversight into the effectiveness of those controls and whether there is compliance. This lack of external oversight creates risk of further losses for the County.  
(F-33, F-34, F-35, F-44, F-46, F-47, F-48)

Response: Respectfully disagree. The Auditor-Controller's office is available to answer questions that may arise in the completion of each assessment. The assessment questionnaires will be reviewed and tested by internal audit staff, and reporting will be made to the Board of Supervisors.

C-11. In addition to financial losses, the County has exposed itself to loss from ineffective procedures and practices as a consequence of significantly reduced auditing capability. (F-35, F-36, F-38, F-51)

Response: Agree.

C-12. A properly constituted audit committee would enhance the independence of and provide a direct communication link between the Auditor-Controller and the BOS. An audit committee would also reduce the dependence of the BOS upon the technical expertise provided by the CEO. (F-08, F-09, F-10, F-13, F-18, F-63, F-64, F-65)

Response: Partially agree. The Auditor-Controller is an independently elected official. See response to C-05 and F-73. This topic will require further review.

C-13. The CEO has control of the agendas for BOS meetings, determining what issues will be presented for action. Effectively, elected officials must defer to the appointed CEO when they want BOS actions. (F-06, F-08, F-11)

Response: Respectfully disagree. Elected officials may place items on the agenda.

C-14. The CEO has failed to comply with the provision in the CEO Ordinance that mandates maintenance of "... an adequate internal auditing system." Budgets for the Auditor-Controller developed by the CEO have left the Audit Division understaffed and with primarily junior-level personnel. As a consequence of denying appeals from the Auditor-Controller for additional resources, the BOS accepts this violation of its CEO Ordinance and is thus responsible for the consequences of an ineffective audit program. The Auditor-Controller must share in that responsibility by not presenting a sufficiently forceful argument to the BOS to override the CEO's recommended budget for the Auditor-Controller. (F-09, F-10, F-13, F-15, F-16, F-18, F-21, F-23, F-27, F-31, F-34, F-35)

Response: Respectfully disagree. The allocation of resources is for the Board of Supervisors to determine, given the overall fiscal health of the County. Each agency/department has an opportunity in the budget process to present their requested budget. See response to C-09.

C-15. The Auditor-Controller established a tri-annual Internal Control Self Assessment Program, which the CEO and BOS endorsed. The head of each agency was required to ensure that its departments complete a detailed questionnaire to identify weaknesses in their internal controls. The Audit Division was responsible for reviewing the questionnaires to determine completeness, noting problem areas, assisting agencies with developing corrective procedures, and performing audits to ensure implementation of procedures. This program proved inadequate to ensure that the internal controls in the various County agencies were enforced. Not all agencies responded to the questionnaire. Audit Division staff is not adequate to review the questionnaires and follow up on their findings. (F-44, F-46, F-47, F-48)

Response: Agree. This program is being re-initialized and consistent periodic reporting will be made to the Board of Supervisors.

C-16. The BOS and CEO have ignored repeated warnings by the Auditor Controller regarding the weakening of the Audit Division. The Audit Division's inability to "... establish a meaningful audit program for the County ..." contributed to an environment where theft and embezzlement in the Public Guardian's Office were made possible. (F-21, F-23, F-27, F-29, F-30, F-31, F-34, F-36 through F-40)

Response: Partially agree. See response to C-07.

C-17. The CEO Ordinance has concentrated the County's fiscal and financial operations in the CEO's Office. Inadequate budget resources in the Auditor-Controller's Audit Division have reduced that organization's ability to provide an effective County audit function. A key consequence is the dilution of the checks and balances needed in government to ensure the integrity of its operations. This potentially impacts public confidence in County government. (F-07, F-14 through F-18, F-21, F-23, F-24, F-25, F-27, F-31, F-33, F-48, F-60)

Response: Partially agree. I believe that we have an effective audit function as evidenced by the 35 audit findings noted in the reports issued during FY 2006-07 as of the date of this response. However, the reduced staff does affect the number of audit hours available, and hence there are fewer audits. I agree that the audit function can be made more effective with an increase in budgeted resources. Please note we are not only referring to internal auditor positions but overall resources of the Auditor-Controller's office. While the growth in the overall county budget continues, the growth in the accounting and auditing functions has not kept pace. Audit responsibilities also encompass the review of each claim submitted for payment processing, review of accounting transactions in board letters, etc. The CEO Ordinance itself has not impacted the audit function, as this is driven by the budget.

R-01. The Grand Jury urges the BOS to establish an independent Ventura County Audit Committee by ordinance, using guidelines provided by the Government Finance Officers Association (GFOA, Ref-01). Because many of the County agencies that would be audited report



to the CEO, the CEO should not recruit or recommend members for the Audit Committee in order to ensure the integrity of the audit process and the independence of the Committee. Although the function of the Audit Committee is to support the efforts of the Auditor-Controller and work cooperatively with that office, independence of the Audit Committee also requires that its members not be recruited or recommended by the Auditor-Controller. (C-01, C-05, C-12, C-17)

Response: Partially agree. Although I agree in concept to the benefits of an audit committee, creation of such a committee when there is an elected Auditor-Controller creates unique challenges. I agree to further study the need for, membership of, and duties of such a committee in an elected environment. As more data becomes available, this office will be in a better position to assess the cost/benefit of this recommendation.

R-02. County Ordinance No. 4235 (the CEO Ordinance) should be amended in §7.3 to make clear that the CEO must place any item presented by an elected Ventura County official on the BOS agenda. (C-08, C-13)

Response: Respectfully disagree. No change is needed to the Ordinance.

R-03. The BOS and the Auditor-Controller should ensure that the CEO complies with the CEO Ordinance with regard to the audit function (§6.a.5). This compliance should be reviewed annually by the BOS as part of the CEO's performance review. (C-02, C-14, C-17)

Response: Partially agree. Section 6.a.5 reads: "The CEO shall, in cooperation with the Auditor-Controller, supervise, direct, review and maintain an adequate internal auditing system." Regardless of the budgetary recommendations of the CEO, the funding decision remains with the Board of Supervisors.

R-04. The BOS and CEO should develop an ongoing process to monitor how County agencies implement Grand Jury recommendations with which they agree. This process should ensure that each affected agency named in the report be made aware of actions other affected agencies are taking, including agencies headed by elected officials. The CEO should present semi-annual reports to the BOS and the Grand Jury on progress toward implementing those agreed-upon recommendations. This recommendation applies to all present and future Grand Jury reports that address County agencies and operations. (C-09)

Response: Agree. However, changes are continually occurring in not only the theory but practical applications of government programs, processes and protocols. What may be agreed to in one year may no longer be applicable when further investigation takes place.

R-05. The Auditor-Controller should issue semi-annual reports on the Internal Control Self-Assessment Program to both the BOS and the Audit Committee on compliance, potential weaknesses in internal controls, and recommended corrective actions. The BOS must budget sufficient resources to make this Program effective. (C-01, C-07, C-09, C-10, C-11, C-15, C-16)

Response: Agree.

R-06. The BOS should adopt an ordinance requiring the Auditor-Controller's signature on any

contract between a County agency and an independent, outside CPA or management firm for any management, operational, financial, or internal control audit or review of a department within that agency. Such contracts must require that the Auditor- Controller receive any interim and final reports issued to the contracting agency by the outside firm. (C-04, C-06)

Response: Partially agree. Currently, the GSA Procurement Department provides notification to the Auditor-Controller of contracts that may involve audit work. However, third party audits are not limited to those an agency may contract for. The proposed policy manual will include additional notification requirements for audits that are not necessarily initiated through contracts by the agencies/departments.

R-07. The BOS should not act on any fiscal or financial issue without first obtaining and acknowledging a written opinion from the Auditor-Controller. This includes, but is not limited to, actions on personnel issues (staffing levels, compensation, and benefits), budgets (including revisions to budgets already adopted), and debt financing. (C-01, C- 4, C-17)

Response: Respectfully disagree. The enforcement of the current policies to provide sufficient review time on board items should meet the intent of this recommendation. The CEO (as ex officio Clerk of the Board) is currently implementing a new agenda system which should aide in tracking board items during the review process. Although "hiccups" are expected with all new systems implementations, we look forward to improved notification and review procedures.

R-08. The BOS must provide sufficient budgeted resources to the Auditor Controller to audit each County agency at least once every three years. The BOS must also direct each County organization operating as an enterprise fund to budget sufficient funds to pay the Auditor-Controller to audit them annually. (C-02, C-07, C-09, C-10, C-11, C-14 through C-17)

Response: Partially agree. Although an excellent goal, the county finances are not always available. Implementation of this recommendation would require a staffing increase of at least three more auditors and one more fiscal manager.

In conclusion, I appreciate the Grand Jury's efforts to focus on the audit functions. With ongoing communications and more effective tools it is anticipated that these functions (in all their forms) can appropriately improve the risk assessments, implement more effective adherence to policies and procedures, and increase protection of taxpayer assets, thereby improving county operations.