

JEFFERY S. BURGH
AUDITOR-CONTROLLER

COUNTY OF VENTURA
800 SOUTH VICTORIA AVE.
VENTURA, CA 93009-1540



ASSISTANT
AUDITOR-CONTROLLER
JOANNE McDONALD

CHIEF DEPUTIES
BARBARA BEATTY
AMY HERRON
JILL WARD
MICHELLE YAMAGUCHI

June 2, 2017

RECEIVED

JUN 08 2017

Ventura County
Grand Jury

The Honorable Patricia M. Murphy
Presiding Judge, Superior Court of California
County of Ventura
800 S. Victoria Avenue
Ventura, CA 93009

✓ Ms. Pamela Riss
Foreperson, 2016-2017 Ventura County Grand Jury
800 S. Victoria Avenue
Ventura, CA 93009

SUBJECT: AUDITOR-CONTROLLER RESPONSE TO 2016-2017 VENTURA COUNTY CIVIL GRAND JURY FINAL REPORT DATED APRIL 5, 2017: VENTURA COUNTY PERFORMANCE AUDITING

Dear Judge Murphy and Ms. Riss,

Please find enclosed in the requested format the County Auditor-Controller's Response to the 2016-17 Ventura County Civil Grand Jury's April 5, 2017 Final Report: Ventura County Performance Auditing.

If you have any questions or require additional information, please contact me at (805) 654-3151. I appreciate the opportunity to respond to this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffery S. Burgh".

JEFFERY S. BURGH, CFE, MPPA
Auditor-Controller
County of Ventura

Enclosure

Response to Grand Jury Report Form

Report Title: Ventura County Performance Auditing

Report Date: April 5, 2017

Response by: Jeffery S. Burgh Title: Auditor-Controller

FINDINGS / CONCLUSIONS

- I (we) agree with the findings / conclusions numbered: C-03; C-04; C-06
- I (we) disagree wholly or partially with the Findings / Conclusions numbered: C-01; C-02; C-05; C-07
(Attach a statement specifying any portions of the Findings / Conclusions that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS

- Recommendations numbered R-06 have been implemented.
(Attach a summary describing the implemented actions and date completed.)
- Recommendations number R-01; R-03; R-04 have not yet been implemented, but will be implemented in the future.
(Attach a time frame for the implementation.)
- Recommendations numbered _____ require further analysis.
- Recommendations numbered R-02 will not be implemented because they are not warranted or are not reasonable.

Date: June 2, 2017

Signed: _____



Number of pages attached: 3

Response to Grand Jury Report Form

Report Title: Ventura County Performance Auditing

Report Date: April 5, 2017

Response by: Jeffery S. Burgh Title: Auditor-Controller Date: June 2, 2017

CONCLUSIONS

C-01. There is no written evaluation or reporting available on the cost savings or revenue enhancing opportunities derived from audits conducted. These items are not routinely discussed with the CEO or the BOS. Budget requests for additional Internal Audit Division resources, including personnel, are rarely, if ever, presented as potential cost savings for the County. (FA-01, FA-02, FA-03, FA-07, FA-08)

Response: Disagree. The Internal Audit Division has been tracking and documenting its performance measurement results, including cost savings and revenue enhancements, every quarter for over 20 years. Over the past 5 years, for example, the Internal Audit Division identified an average of \$375,000 in cost savings per year. Cost savings and revenue enhancements are identified in audit reports, which are provided to the CEO and BOS. Our latest budget request for additional Internal Audit Division resources explicitly included potential cost savings and revenue enhancements as a basis for the request.

C-02. The purpose and intent of the Internal Audit Plan's list of Future Potential Audit Subjects is unclear. The understanding varies among stakeholders and within the Internal Audit Division. The number of Future Potential Audit Subjects has escalated each fiscal year to the point where it is not realistic or achievable. (FA-04, FA-05)

Response: Disagree. The introduction to Internal Audit Plan's list of Future Potential Audit Subjects states: "The following have been identified as potential audit subjects to be pursued in future years as Internal Audit Division staff resources allow." The list serves a variety of purposes, mainly to assist the Auditor-Controller in identifying audit subjects to bring forward to the current year's planned engagements.

C-03. The sheer size of the number of Future Potential Audit Subjects suggests there could be high risk audits that are not being addressed. (FA-04, FA-05, Att-01)

Response: Agree. During our annual audit planning process, we judgmentally assess which audit subjects are higher risk to bring forward to the current year's planned engagements.

C-04. The goals, objectives, and performance measurements of the Internal Audit Division have been essentially unchanged for the past five fiscal years. (FA-06, FA-07, FA-09)

Response: Agree. However, we re-assess our goals, objectives, and performance measurements at least annually for continuing relevance and value.

C-05. The Internal Audit Division does designate some, but not all audits, for follow-up. Follow-up has not been a primary concern. Its performance measurement stating "100% of corrective action: has been initiated

by management during the course of the audit” cannot be confirmed by the number of follow-up audits conducted. (FA-09, FA-10)

Response: Partially Disagree. While true that some audits are designated for follow-up, the Internal Audit Division must weigh the cost/benefit of conducting follow-up audits. Designating all audits for follow-up would divert staff resources away from higher risk audits that should be prioritized.

C-06. Providing the Auditor-Controller with the CEO’s evaluations of an audited department’s corrective actions would assist the Internal Audit Division in determining the need and scope of follow-up audits. (FA-10, FA-11, FA-12)

Response: Agree. The CEO’s evaluations would help us prioritize follow-up audit areas that are higher risk.

C-07. The Auditor-Controller’s Internal Audit Division does not issue an annual report. In the Internal Audit Plan, there is no evaluation of the Internal Audit Division’s performance. (FA-06, FA-13, FA-14, FA-15)

Response: Disagree. The Internal Audit Plan reports on the current status of the prior year Internal Audit Plan under the section entitled “Status of Prior Year Internal Audit Plan”. In this section, we identify which of the prior year engagements were completed and in progress, along with the number of audit findings. We also report several other accomplishments of the Internal Audit Division, including the number of Employee Fraud Hotline issues handled. Within the County Adopted Budget, we state the number of audit reports issued.

RECOMMENDATIONS

R-01. The Grand Jury recommends the Auditor-Controller clearly define the purpose and intended use of the list of the Future Potential Audit Subjects in the Internal Audit Plan. (C-02)

Response: Will be implemented. In the upcoming FY 2017-18 Internal Audit Plan, we will identify the main purpose of the list of Future Potential Audit Subjects: to assist the Auditor-Controller in identifying audit subjects to bring forward to the current year’s planned discretionary engagements.

R-02. The Grand Jury recommends the Auditor-Controller, in consultation with the CEO, reduce the number of Future Potential Audit Subjects in the Internal Audit Plan to a realistic and achievable number. Each subject should be assigned a risk level based on the Internal Audit Division’s annual risk analysis. (C-02, C-03)

Response: Will not be implemented. The list of Future Potential Audit Subjects, which we consider to be a valuable resource, assists the Auditor-Controller in identifying audit subjects to bring forward to the current year’s planned discretionary engagements. We take into account the results of our annual risk assessment, which assigns risk levels by department, and the current operating environment in determining which audit subjects to bring forward. Therefore, assigning each subject a risk level is not merited.

R-03. The Grand Jury recommends the Auditor-Controller review and update the Internal Audit Division’s goals, objectives, and performance measurements; they have been essentially unchanged for five years. (C-04)

Response: Will be implemented. Although most of our goals, objectives, and performance measurements generally remain relevant each year, we acknowledge that documenting a clear link between each goal, objective, and performance measurement will provide clarity. This will be included in the upcoming FY 2017-18 Internal Audit Plan.

R-04. The Grand Jury recommends the Auditor-Controller publish an annual report evaluating the Internal Audit Division's success in meeting all its goals, objectives, and performance measurements. The report should share key metrics with stakeholders and the public including:

- The number of recommendations made.
- The percentage of recommendations with agreement or disagreement
- The percentage of recommendations implemented.
- Cost savings or revenue enhancements
- The number of follow-up audits conducted.

(C-01, C-07)

Response: Will be implemented. We will begin publishing our performance measurement results in the upcoming FY 2017-18 Internal Audit Plan.

R-06. The Grand Jury recommends the Auditor-Controller make regular presentations to key stakeholders, such as the BOS and the CEO. These presentations would highlight and promote the work of the Internal Audit Division and increase its perceived value, particularly in the area of saving taxpayer's money. (C-01, C-07)

Response: Has been implemented. The Auditor-Controller believes the current level of communication of the Internal Audit Division's efforts and accomplishments is appropriate. For example, the Internal Audit Plan is presented on the BOS agenda each year, and every audit report is provided to the BOS and CEO.