

Ventura County Grand Jury 2016 - 2017



Final Report

Ventura County Performance Auditing

April 5, 2017

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Ventura County Performance Auditing

Summary

The elected Auditor-Controller is responsible for auditing Ventura County (County) government operations. The Internal Audit Division primarily conducts discretionary performance audits evaluating whether taxpayer dollars are being spent in an efficient, effective, and economic manner.

The Auditor-Controller is also the County's chief accounting officer. Ninety-four percent of the department's budget is allocated to the Controller function. There is a potential for public harm if auditors do not have the resources to properly address identified risks. The 2016-2017 Ventura County Grand Jury (Grand Jury) conducted an investigation into the Internal Audit Division's performance in the combined Auditor-Controller environment.

The Internal Audit Division has completed an average of 12 reports a year over the past four years. Its Fiscal Year 2016-17 Internal Audit Plan lists 99 Future Potential Audit Subjects to be pursued as staff resources allow. The Grand Jury concluded the intended use of this list was not clearly defined and it had grown to a size where it was no longer realistic or achievable.

There is no written evaluation of the Internal Audit Division's performance in meeting its goals and objectives. The Grand Jury concluded it is impossible to determine if "80% of performance audits...result in added revenue or cost savings..." or if the audits had met their stated target of saving \$500,000 each fiscal year.

The Ventura County Chief Executive Officer (CEO) is required to evaluate corrective actions taken by an audited department. For at least the last five years, the Auditor-Controller has not been consistently informed of the results of the CEO's evaluations.

The Grand Jury recommends the CEO, per county policy, consistently provide the Auditor-Controller with evaluations of the corrective action taken by audited County departments and agencies.

The Grand Jury recommends the Auditor-Controller clearly define the intended use of the list of Future Potential Audit Subjects and reduce the list to a realistic and achievable number.

The Grand Jury recommends the Auditor-Controller publish an annual report evaluating the Internal Audit Division's success in meeting its goals and objectives. Regular communication with County elected officials, staff, and the public would highlight the work of the Internal Audit Division and increase its perceived value, particularly in the area of saving taxpayers' money.

Background

There is a combined Auditor-Controller function in all 58 California counties. In Ventura County, along with 53 other counties, the Auditor-Controller is an independent, nonpartisan, elected official. Four counties appoint Auditor-Controllers. State law allows counties to combine the Auditor-Controller with the treasurer-tax collector position, and/or county recorder, or the county clerk. The State and some large California cities have separate Auditors and Controllers. (Ref-01)

The Auditor-Controller is the chief accounting officer of the County responsible for budget control, disbursements, receipts, and financial reporting. In addition, the Auditor-Controller is the chief audit executive for the County as established by California Government Code § 26883 and designated by order of the County's Board of Supervisors (BOS) on May 12, 1953, as amended on February 21, 1955. As an elected official, the Auditor-Controller is independent which allows objective reporting of audit results. The Auditor-Controller ensures that mandatory fiscal audits are conducted by a contracted auditing firm, as specified under California Government Code § 1236. The Auditor-Controller's Internal Audit Division performs audits in conformance with the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors (IIA) and Government Auditing Standards issued by the Comptroller General of the United States. (Ref-01, Ref-02)

Most of the non-mandatory or discretionary audits conducted by the Internal Audit Division are performance audits. Performance audits examine County programs and departments and evaluate whether taxpayer dollars are being spent in an efficient, effective, and economic manner. They can identify savings and revenue opportunities. (Ref-03)

The Auditor-Controller's budget is not split evenly between the Auditor and Controller functions of the office. About 10% of the staff and 6% of the Auditor-Controller's budget is directed to the audit function. (Ref-04)

Nationwide, auditing services have been vulnerable to cuts because they are perceived as not providing a direct service to taxpayers. (Ref-05, Ref-06)

The Grand Jury conducted an investigation into the County audit function's performance and effectiveness in the combined Auditor-Controller environment.

Methodology

The Grand Jury conducted this investigation by:

- Researching State law regarding county government auditing
- Researching County policy regarding auditing
- Reviewing Ventura County Auditor-Controller's Internal Audit Plans for the last ten years (Fiscal Year 2006-07 to Fiscal Year 2016-17)

- Reviewing standards for the practice of internal auditing from IIA and government auditing standards issued by the Comptroller General of the United States
- Conducting internet research into performance auditing by local governments
- Conducting internet research on audit functions in other California counties, as well as some well-regarded programs in other states
- Conducting interviews with County employees and elected officials

Facts

FA-01. Performance audits examine County programs and departments by using nationally recognized auditing principles. They recommend service delivery improvements, identify savings and revenue opportunities, identify poor performance, and detect fraud. Performance audits do not develop procedures or establish policies. An audit can take anywhere from two months to two years to complete. A typical audit is comprised of three steps: planning, field work, and report writing. A draft report is reviewed for errors by the audited department. The Internal Audit Division’s objective is to reach a consensus with the auditee in respect to the findings and recommendations. Disagreements are noted in the final report. (Ref-03, Ref-07)

FA-02. The Auditor-Controller in Fiscal Year 2016-17 has a \$13.4 million budget and 71 Full Time Equivalent (FTE). There are seven employees in the Internal Audit Division; six auditors and one Fiscal Manager. They are overseen by the Deputy Director Auditor-Controller who reports directly to the Auditor-Controller. Of the six auditors, one is assigned full-time to investigate calls to the County’s Fraud Hotline. Another auditor is assigned full-time to the Treasurer’s office. In Fiscal Year 2016-17 \$800,000 was allocated in the budget for Audit Division salaries. All costs associated with the Internal Audit Division come from the General Fund.

<u>Auditor Controller Staff Allocation</u>	<u>FTE</u>	<u>%</u>
Controller	64	90%
Auditor	7	10%

(Ref-04)

FA-03. The Auditor-Controller makes fiscal year budget requests through the office of the CEO. In Fiscal Year 2016-17, the Auditor-Controller’s budget was reduced by \$100,000 while the overall County budget was increased. The FTE was increased in Fiscal Year 2013-14 in order to upgrade the Ventura County Financial Management System. With the completion of the project, staff has been gradually reduced from a high of 77 FTE in Fiscal Year 2013-14. In Fiscal Year 2015-16, the Auditor-Controller used \$50,000 in Department savings to hire the external audit firm, Moss Adams, to examine physician’s contracts at the Health Care Agency, an engagement staff auditors would not have been able to complete. In September, 2016

the Auditor-Controller requested the addition of three, full-time internal audit positions at a projected cost of \$409,519. The needs described in the request were to provide additional scrutiny of information technology (IT) issues and the Ventura County Medical Center. The additional staffing would increase available audit hours by 4,302 or 55%. This request was not presented as a way to generate cost savings for the County. (Ref-04)

FA-04. A risk-based Internal Audit Plan is prepared at the beginning of each fiscal year. A risk level is assigned to every County department. Risk assessment uses 22 criteria including staff size, the number of transactions, evidence or suspicion of theft, substantiated Hotline tips, and the date of the last audit. Generally, the bigger the department, the greater the risk. After the risk assessment is completed, the Internal Audit Division staff selects a number of Planned Engagements to be conducted during the fiscal year. The Internal Audit Plan also lists Future Potential Audit Subjects which are described as potential audit subjects to be pursued in future years as Internal Audit Division staff resources allow. These Future Potential Audit Subjects have also been described as “placeholders”, “reminders”, or “something that has traditionally appeared in past Internal Audit Plans”. There are no expectations as to how many, if any, of these engagements will become Planned Engagements. (Ref-02, Att-01)

FA-05. The number of auditor hours that would be needed to conduct the Future Potential Audit Subjects has increased steadily in each of the last 5 years. It would take over 5 ½ years to complete all of the Fiscal Year 2016-17 Future Potential Audit Subjects based on the number of available auditor hours not committed to mandated cash and compliance audits. The Fiscal Year 2016-17 Internal Audit Plan lists 99 Future Potential Audit Subjects, totaling 37,070 planned audit hours. The Fiscal Year 2006-07 Internal Audit Plan listed 30 Future Potential Audit Subjects. The number of Future Potential Audit Subjects has increased 230% since Fiscal Year 2006-07. In the same ten year period, the County budget has increased by 43%, the number of county employees has increased 16% and the population of the County has increased 9%.

<u>Fiscal Year</u>	<u>Future Potential Audit Subjects</u>	<u>Audit Hours</u>
2016-17	99	37,070
2015-16	94	35,770
2014-15	86	32,770
2013-14	84	31,030
2012-13	83	30,510

(Ref-02, Ref-13, Ref-14, Ref-15, Ref-16, Ref-17)

FA-06. The Internal Audit Plan includes goals, objectives, and performance measurements for the Internal Audit Division. Fiscal Year 2012-13 is the only year of the last four where the Internal Audit Division met or exceeded its goal of the number of audit reports to be issued during the fiscal year. In Fiscal Year 2016-17, the goal is to issue 12 reports.

Number of Audit Reports Issued			
<u>Fiscal Year</u>	<u>Goal</u>	<u>Issued</u>	<u>Follow-ups</u>
2015-16	12	9	1
2014-15	15	9	0
2013-14	15	13	0
2012-13	15	18	2

(Ref-02, Ref-13, Ref-14, Ref-15, Ref-16, Ref-17)

- FA-07.** The Internal Audit Plans’ performance measurements state that 80% of performance audits should “result in additional revenue and/or cost savings to the County”. The last five fiscal year Internal Audit Plans include a performance measurement goal of identifying \$500,000 in cost savings or revenue enhancement opportunities for the County. (Ref-02, Ref-07, Ref-13, Ref-14, Ref-15, Ref-16)
- FA-08.** There is no record or other evidence of the Internal Audit Division measuring its performance in meeting the stated goal of identifying cost savings.
- FA-09.** Among the Internal Audit Plan’s performance measurements is the statement, “100% of corrective action...has been initiated by management [of the audited department] during the course of the audit.” This is to be confirmed by follow-up audits. (Ref-02, Ref-13, Ref-14, Ref-15, Ref-16)
- FA-10.** Many audit programs of other counties, examined by the Grand Jury, monitor and follow-up on all audit recommendations to ensure audit findings are being addressed. However, according to County policy, “Follow-up audits will be performed on selected reports to ascertain the implementation of improvement efforts and the 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.” (Ref-05, Ref-07, Ref-10, Ref-11, Ref-12, Ref-18, Att-02)
- FA-11.** According to County policy, “Agencies and departments are required to provide written status reports to the CEO on items where corrective action [suggested during the audit] 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 CEO will evaluate the corrective actions taken and provide the results to the Auditor-Controller’s Office for scheduling follow-up audits.” The audited department is not required to send a copy of their status report to the Auditor-Controller, although some departments have copied the Auditor-Controller on their responses to the CEO. (Att-02)
- FA-12.** For at least the last five years, the Auditor-Controller’s office has not been regularly informed of the results of the CEO’s evaluation of departmental corrective actions.
- FA-13.** The BOS focuses on the controller function of the Auditor-Controller’s office, particularly at budget preparation time. There is less awareness of

the audit function of the office and they look to the CEO and his fiscal team for analysis of program effectiveness. There was little expectation by the BOS that audits would result in cost savings. Alternatively, many of the audit programs in other counties provide information to stakeholders, as well as to the news media and the public, about their audit programs and plans. They focus on the results of audits. An IIA survey of 36 government auditors found most make significant efforts to build understanding and support for their audit programs. Despite their efforts, fewer than half of those interviewed nationally agreed that they enjoyed the support and understanding of all key stakeholders. (Ref-07, Ref-09, Ref-10)

- FA-14.** Many of the audit programs outside of the County that were examined by the Grand Jury issue annual reports which highlight the value they add to the community. Most will detail the status of implementation of the auditor’s recommendations. Some also identify cost savings generated from the implementation of audit recommendations. (Ref-07, Ref-09, Ref-10, Ref-11, Ref-12)
- FA-15.** Two key measures of the general effectiveness of an audit program are the organization’s audit recommendation acceptance rate and implementation rate. These two rates clearly indicate whether audited entities are using the information provided by audit reports to mitigate identified risks and to enhance the performance and efficiency of their operations. Other key measurements include the number of audit reports issued, the cost effects or savings, and the number of follow-up reports. (Ref-10, Ref-11, Ref-12)

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)
- 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)
- 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)
- 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)

- 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)
- 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)
- 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)
- C-08.** The continuing growth of the County and the challenge of operating in today’s technologically complex environment suggest more resources should be allocated to auditing. (FA-02, FA-03, FA-05)

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)
- 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)
- 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)
- 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)
- R-05.** The Grand Jury recommends the BOS direct the CEO, per existing County policy, to consistently provide the Auditor-Controller with written results of

evaluations of the corrective action taken by all audited County departments and agencies. (C-05, C-06)

- 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)
- R-07.** The Grand Jury recommends the BOS direct that additional funding be allocated to the Auditor-Controller to be specifically used to increase the number of auditors in the Internal Audit Division. (C-03, C-08)

Responses

Responses Required From:

Auditor-Controller, County of Ventura (C-01, C-02, C-03, C-04, C-05, C-06, C-07, R-01, R-02, R-03, R-04, R-06)

Ventura County Board of Supervisors (R-05, R-07)

Responses Requested From:

Chief Executive Officer, County of Ventura (C-06, R-02, R-05)

References

- Ref-01.** California State Association of Counties, "Auditor-Controller", <http://www.counties.org/county-office/auditor-controller> (accessed March 9, 2017).
- Ref-02.** County of Ventura, Auditor-Controller's Office, "Internal Audit Plan, Fiscal Year 2016-17", http://vcportal.ventura.org/auditor/docs/audit-reports/FY2016-2017/Audit_Plan_2016-17.pdf (accessed March 9, 2017).
- Ref-03.** Association of Local Government Auditors, "Establishing a Performance Audit Function: Help for Local Government Leaders", <https://algaonline.org/DocumentCenter/View/3740> (accessed March 9, 2017).
- Ref-04.** County of Ventura, "Adopted Budget, Fiscal Year 2016-17", [http://vcportal.ventura.org/auditor/docs/adopted-budgets/fy2016-2017/1_Full_Report/\[11-10-16\]-FY-2017-Adopted-Budget-Book-with-cover-&-divider.pdf](http://vcportal.ventura.org/auditor/docs/adopted-budgets/fy2016-2017/1_Full_Report/[11-10-16]-FY-2017-Adopted-Budget-Book-with-cover-&-divider.pdf) (accessed March 9, 2017).

- Ref-05.** Katherine Barrett and Richard Greene, *Governing*, "Government Performance Auditors at Risk of Becoming Endangered", May, 2012, <http://www.governing.com/columns/smart-mgmt/col-government-performance-auditors-risk-becoming-endangered.html> (accessed March 9, 2017).
- Ref-06.** Richard Chambers, *The Public Manager*, "Internal Audit Spending; How Much Is Enough?", March, 2015, <https://www.td.org/Publications/Magazines/The-Public-Manager/Archives/2015/Spring/Internal-Audit-Spending-How-Much-Is-Enough> (accessed March 9, 2017).
- Ref-07.** Association of Government Accountants, AGA CPAG Research Series, Report #5, "Challenges in Performance Auditing: How a State Auditor with Intriguing New Performance Auditing Authority is Meeting Them", June 2006, <https://www.agacgfm.org/getattachment/Resources/Online-Library/Research-Reports/ChallengesAuditingJune2006.pdf.aspx> (accessed March 9, 2017).
- Ref-08.** County of Ventura, "Budget Digest 2006-2007", <http://vcportal.ventura.org/auditor/docs/budget-digests/0607digest.pdf> (accessed March 9, 2017).
- Ref-09.** The Institute of Internal Auditors Research Foundation, "Emerging Strategies for Performance Auditing, Insights from City Auditors in Major Cities in the U.S. and Canada," 2014, <https://www.vbgov.com/government/departments/city-auditors-office/Documents/IIA%20Research%20Study%20Performance%20Auditing.pdf> (accessed March 9, 2017).
- Ref-10.** City and County of Denver, Office of the Auditor, "Evolving Government Through Effective Auditing: An Impact Report for the Citizenry", January, 2014, https://www.denvergov.org/content/dam/denvergov/Portals/741/documents/Audits_2014/Impact%20Report_01-16-14.pdf (accessed March 9, 2017).
- Ref-11.** Johnson County, Kansas Audit Services, "2013 Annual Report of Operations and Results", <http://jocogov.org/sites/default/files/documents/AUD/2013%20Annual%20Report-Final%203%202014%2014%20.pdf> (accessed March 9, 2017).

- Ref-12.** Johnson County, Kansas, County Auditor, “2011 Annual Report of Operations and Results”,
<http://jocogov.org/sites/default/files/documents/AUD/2011%20Annual%20Rpt.pdf> (accessed March 9, 2017).
- Ref-13.** County of Ventura, Auditor-Controller’s Office, “Internal Audit Plan, Fiscal Year 2015-16”, http://vcportal.ventura.org/auditor/docs/audit-reports/FY2015-2016/Audit_Plan_2015-16.pdf (accessed March 9, 2017).
- Ref-14.** County of Ventura, Auditor-Controller’s Office, “Internal Audit Plan, Fiscal Year 2014-15”, <http://vcportal.ventura.org/auditor/docs/audit-reports/FY2014-2015/Audit%20Plan%202014-15.pdf> (accessed March 9, 2017).
- Ref-15.** County of Ventura, Auditor-Controller’s Office, “Internal Audit Plan, Fiscal Year 2013-14”, <http://vcportal.ventura.org/auditor/docs/audit-reports/FY2013-2014/Audit%20Plan%202013-14.pdf> (accessed March 9, 2017).
- Ref-16.** County of Ventura, Auditor-Controller’s Office, “Internal Audit Plan, Fiscal Year 2012-13”, <http://vcportal.ventura.org/auditor/docs/audit-reports/FY2012-2013/Fiscal-Year-2012-13-Internal-Audit-Plan.pdf> (accessed March 9, 2017).
- Ref-17.** Ventura County Auditor-Controller, “Internal Audit Division, Office, Audit Plan, July 1, 2006 through July 30, 2007”,
<http://vcportal.ventura.org/auditor/docs/audit-reports/FY2006-2007/200607AuditPlan.pdf> (accessed March 9, 2017).
- Ref-18.** The Canadian Institute of Chartered Accountants, “20 Questions Directors Should Ask About Internal Audit”,
https://na.theiia.org/standards-guidance/Public%20Documents/20_Questions_InternalAudit1.pdf (accessed March 9, 2017).

Attachments

- Att-01.** Future Potential Audit Subjects, County of Ventura, Auditor-Controller’s Office, Internal Audit Plan, Fiscal Year 2016-17
- Att-02.** 2005 County Administrative Policy Manual, Policy No. Chapter VII (A)-6, County Auditing

Glossary

TERM

DEFINITION

BOS	Ventura County Board of Supervisors
CEO	Ventura County Chief Executive Officer
County	County of Ventura
FTE	Full Time Equivalents
Grand Jury	2016-2017 Ventura County Grand Jury
IIA	Institute of Internal Auditors
IT	Information Technology

Attachment 01

Future Potential Audit Subjects, Internal Audit Plan, Fiscal Year 2016-17

County of Ventura Auditor-Controller’s Office
 Internal Audit Division
 Internal Audit Plan, Fiscal Year 2016-17

FUTURE POTENTIAL AUDIT SUBJECTS

The following have been identified as potential audit subjects to be pursued in future years as Internal Audit Division staff resources allow.

<u>Countywide Audits</u>	<u>Future Planned Hours</u>
1. Foster/Group Home Contracts.....	800
- Human Services Agency	
2. Subrecipient Contract Monitoring	800
- Area Agency on Aging	
- County Executive Office	
- Human Services Agency	
3. Cash Controls.....	800
- General Services Agency	
- Health Care Agency (centralized)	
4. Grant and Subvention Management.....	800
- Area Agency on Aging	
5. Administration of Trust Funds.....	300
- County Clerk and Recorder	
- District Attorney	
- Human Services Agency: Foster Care Trust Funds	
- Sheriff: Inmate Welfare Trust Funds	
6. Revolving Loan Program Administration.....	300
- County Executive Office	
- Human Services Agency	
7. Capital Projects Administration.....	500
- Ventura County Integrated Justice Information System	
- Other Information Technology Projects	
8. Internal Service Fund Charges	500
- General Services Agency: Warehouse/Distribution Services	
- Information Technology Services	
9. Year-End Spending	300
10. Accounts Receivable	500
11. Efficiency and Cost Effectiveness of Personnel Practices	
A. Decentralizing Hiring and Departmental Personnel Representatives’ Responsibilities	500
- Sheriff	
- Health Care Agency: VCMC	
B. Use of Information Technology Services Versus Departmental In-House Staff	300
- County Clerk and Recorder	
12. Fixed Asset Accountability.....	800

**County of Ventura Auditor-Controller's Office
Internal Audit Division
Internal Audit Plan, Fiscal Year 2016-17**

<u>Countywide Audits (Continued)</u>	<u>Future Planned Hours</u>
13. Inventory Procurement and Accountability	800
- Health Care Agency	
- Sheriff: Food Services	
- General Services Agency: Central Services	
14. Appropriate Use of Waiver of Bid Requirements	300
- Information Technology Services	
- Human Services Agency	
15. Management of Public Safety Overtime	600
16. Services Provided for and Resultant Charges to Independent Entities.....	500
- Public Works Agency	
- Information Technology Services	
17. Dependent Eligibility for Health Care Benefits	600
18. Collection Agency Contracts.....	600
19. Achievement of Countywide Strategic Plan	600
20. Departmental Procedures to Manage Outside Employment of County Employees	600
- Health Care Agency: Medical Examiner	
21. Appropriateness of Budgeted Revenue Levels.....	600
- Tobacco Settlement Program	
- Treasurer-Tax Collector	
22. Compliance with County Contracting Requirements	600
23. Employee Reclassifications and Flexible Merit Increases	200
24. Deferred Maintenance Costs for County Assets.....	400
25. Appropriateness of Using Contractors Versus In-House County Staff.....	300
- Human Services Agency	
26. Cost Effectiveness of Contracted Services.....	300
- Human Services Agency	
27. Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule Compliance.....	<u>600</u>
- Human Services Agency: Public Administrator/Public Guardian (PAPG)	
	14,800
 <u>Information Technology Audits</u>	
1. Business Continuity Planning and Disaster Recovery Plans	600
2. Systems Development and Procurement	500
3. Personal Computer Standards Compliance.....	500
4. Information Technology Asset Disposal	500
5. Fair and Accurate Credit Transactions (FACT) Act Compliance.....	500
6. Definition of Authorization Roles and Administrator Access	300
7. Change Control Management.....	300
8. Software Licensing	600

**County of Ventura Auditor-Controller's Office
Internal Audit Division
Internal Audit Plan, Fiscal Year 2016-17**

<u>Information Technology Audits (Continued)</u>	<u>Future Planned Hours</u>
9. Virtual Server Use	400
10. Security Assessment	600
11. Mobile Device Management Policy Compliance	300
12. Accela System Integration	600
13. Reconciliation of System Data to the Ventura County Financial Management System	600
- County Executive Office: Risk Management Claims Management System (David)	
14. Compliance with Payment Card Industry (PCI) Data Security Standards	600
- Health Care Agency: Animal Services	
- County Clerk and Recorder	
- General Services Agency: Parks Department	
- Health Care Agency: VCMC	
15. Labor Collection and Billing (LCAB) System Integrity	400
16. Use of Mobile Applications for Charging Customer Credit Cards	400
- General Services Agency: Parks Department	
- Health Care Agency: Animal Services	
17. Social Media Policy Compliance	600
18. Portable Computer and Portable Media Data Protection Policy Compliance	600
19. Europay, MasterCard, and Visa (EMV) Chip Card Processing Implementation	<u>600</u>
	9,500

Performance and Compliance Audits

1. Public Works Agency: Administration of Franchise Fees	300
2. Public Works Agency: Uniform Construction Cost Accounting	160
3. Resource Management Agency: Environmental Health Operations	200
4. Management of Workers' Compensation and 4850 Employee Benefits	300
5. Fire Protection District: Staffing	400
6. Integrated Waste Management: Administration of Recycling Programs	200
7. Application of Special Assessments	200
- Watershed Protection District	
8. General Services Agency: Fleet Services Performance and Charges to Departments	300
9. Board of Supervisors: Meals and Travel Reimbursements	160
10. County Executive Office: Effectiveness of Labor Relations and Risk Management	200
11. Elections: Volunteer and Polling Place Training and Procedures	200
12. County Ethics Program	200
13. County Executive Office: Auditable Savings from Lean Six Sigma	200
14. County Executive Office: Enterprise Risk Management	300
15. County Executive Office: Effectiveness and Efficiency of SIRE Agenda System	300
16. Sheriff and District Attorney: Payments to Retiree Medical Reimbursement Trust	200

**County of Ventura Auditor-Controller's Office
Internal Audit Division
Internal Audit Plan, Fiscal Year 2016-17**

<u>Performance and Compliance Audits (Continued)</u>	<u>Future Planned Hours</u>
17. Elections: Ballot Counting Process and Results Certification Process	300
18. County Clerk and Recorder: Land Information Records Management System Services	200
19. Health Care Agency: VCMC Allocations and Satellite Clinics	250
20. Health Care Agency: Ventura County Health Care Plan Rates and Costs	200
21. Sheriff: Charging of Imprisonment and Transportation Costs (GC 36903 and 26747).....	200
22. Health Care Agency: Controls over Women, Infants, and Children Program	200
23. Sheriff: Controls over Seized or Forfeited Assets	200
24. Health Care Agency: Behavioral Health Management of Gift Cards for Clients	200
25. Tax Collector and Auditor-Controller: Property Tax Refund Process.....	200
26. County Executive Office: Health Insurance Premium Payments	200
27. Human Services Agency: Not-for-Profit Contracting.....	200
28. General Services Agency: Contract Renewal Process	200
29. County Executive Office: Human Resources Performance	300
- Health Care Agency: Behavioral Health	
30. General Services Agency: Administration of Parking Citation Revenue	200
31. County Executive Office: Administration of Courts Collections Services Agreement.....	200
32. County Executive Office: Human Resources and Benefits Compliance	300
33. Assessor: Efficiency of Departmental Processes	300
34. Human Services Agency: PAPG Internal Controls and Caseload Management	300
35. Health Care Agency: Behavioral Health Fiscal and Staff Management.....	300
36. Health Care Agency: VCMC Accounts Payable	200
37. County Executive Office: Oversight/Reporting on Departmental Corrective Actions	300
38. Health Care Agency: VCMC Hospital Replacement Wing Project Contract Compliance....	300
39. Assessor: Fiscal Processes and Oversight.....	200
40. Health Care Agency: Behavioral Health Rehabilitation Center Contracts.....	300
41. Public Works Agency: Waterworks Districts Charges and Collections	400
- Lake Sherwood Community Services District	
42. Sheriff: Property/Evidence Room Accountability	200
43. General Services Agency: Vendor Adherence to Price Agreement Terms.....	200
44. Health Care Agency: Mental Health Services Act Program Spending	200
45. Health Care Agency: Payroll Incentive Payments	200
46. Public Works Agency: Support for Payments to Contractors.....	200
47. Health Care Agency: Behavioral Health Medi-Cal Site Certification Process	200
48. County Executive Office: Controls over Federal Housing and Urban Development Funds	300
49. County Executive Office and General Services Agency: Required Maintenance Activities	300
50. Health Care Agency: Recovery of Animal Services Shelter Costs from Contract Cities	300
51. Health Care Agency: Allocation of Staff Time to Federal Grants	300

County of Ventura Auditor-Controller's Office
Internal Audit Division
Internal Audit Plan, Fiscal Year 2016-17

<u>Performance and Compliance Audits (Continued)</u>	<u>Future Planned Hours</u>
52. Treasurer-Tax Collector: Internal Controls over Wire Transfers	200
53. Harbor: Costs Funded by Community Facilities District No. 4	<u>200</u>
	12,770
TOTAL FUTURE PLANNED HOURS	<u>37,070</u>

Attachment 02

**2005 County Administrative Policy Manual, Policy No. Chapter VII
(A)-6, County Auditing**

COUNTY OF VENTURA	2005 ADMINISTRATIVE POLICY MANUAL		FINANCIAL MANAGEMENT CHAPTER VII (A) Expenditures & Accounting
Originating Agency: A-C	Last Issued	Revised	<u>Policy No. Chapter VII (A) - 6</u>
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.

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