

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Honorable Gregory D. Totten, District Attorney **Date:** May 20, 2010
From: Christine L. Cohen
Subject: **AUDIT TO VALIDATE THE 2007 CONTROL SELF-ASSESSMENT
FOR THE DISTRICT ATTORNEY**

EXECUTIVE SUMMARY

We have completed our audit to validate the Control Self-Assessment (CSA) completed by the District Attorney (DA) on September 7, 2007. The audit was performed as a component of the County's CSA Program, which was established to promote strong internal controls throughout the County. The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

Overall, we found that the DA conscientiously completed the Internal Control Questionnaire (ICQ) tool provided in the *Internal Control Guidelines and Control Self-Assessment Program*. The DA divisions of Administration/Fiscal, Non-Sufficient Funds Check Program, and Asset Forfeiture Unit were included in the CSA and input was provided by appropriate fiscal managers and staff. As a result of the CSA, the DA did not identify any potential internal control improvements. We also verified that selected control activities were generally in place and operating effectively as indicated by the DA's responses in the ICQ.

However, we found that opportunities existed to improve the DA's performance of the CSA and thus further strengthen internal controls and mitigate risks. Specifically, the DA's self-assessment of internal controls could be improved by:

- Documenting a formal risk assessment to support management's assertion that various DA risks were considered and addressed during the performance of the CSA.
- Customizing the assessment tool to reflect facts, conditions, and risks relevant to the DA.
- Conducting and documenting detailed tests of controls as appropriate.

DA management planned to implement corrective action during the next CSA triennial cycle, which is scheduled to begin in 2010.

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

Attachment

cc: Honorable Kathy Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Marty Robinson, County Executive Officer

AUDIT TO VALIDATE THE 2007 CONTROL SELF-ASSESSMENT FOR THE DISTRICT ATTORNEY

INTRODUCTION: This audit was performed as a component of the County's Control Self-Assessment (CSA) Program, which was established to promote strong internal controls throughout the County.

BACKGROUND:

The County Executive Office and the Auditor-Controller jointly established the County's *Internal Control Guidelines and Control Self-Assessment Program (Guidelines)*. The CSA Program was designed as a triennial program for department heads to formally assess and report on the status of internal controls at least once every 3 years.

In June of 2007, all County departments were asked to participate in the CSA Program. The District Attorney (DA) completed the CSA on September 7, 2007, using the Internal Control Questionnaire (ICQ) tool provided in the *Guidelines*. The DA's CSA results were based on information available from August 1 through 31, 2007.

SCOPE:

Our overall audit objective was to evaluate the effectiveness of the DA's execution of the 2007 CSA Program. Specifically, we:

- verified the performance of an appropriate risk assessment;
- determined whether the tool used to conduct the CSA effectively assessed internal controls;
- evaluated the completeness of the CSA;
- verified that tests of control activities were performed; and
- evaluated the thoroughness and effectiveness of the internal control improvement plan.

With guidance from the DA's CSA Coordinator, we reviewed the processes followed to accomplish the CSA and conferred with key personnel who contributed to the CSA's completion.

To verify the CSA responses, we performed audit tests of selected control activities at each of three divisions reviewed: Administration/Fiscal, Non-Sufficient Funds (NSF) Check Program, and Asset Forfeiture Unit. Specifically, we performed limited tests of certain control activities in the following areas by tracing transactions, reviewing documentation, observing procedures, and/or discussing controls with management and staff, as appropriate:

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| • Operational goals and objectives | • Travel expenses |
| • Petty cash | • Internal reviews |
| • Overdue account collection | • Overtime approvals |
| • Fixed assets | • State reporting |

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period March 2007 through November 2009.

FINDINGS:

Overall, we found that the DA made a conscientious effort in conducting the CSA. Fiscal managers and appropriate staff from each the DA divisions reviewed were involved in conducting the CSA using the ICQ. This work was compiled into one ICQ, which contained the DA's answers to 142 internal control questions. While a "Yes" answer indicated that internal controls were in place and operating effectively for those areas, a "No" or "N/A" (i.e., Not Applicable) answer did not necessarily suggest that the internal control area should be noted as a deficiency in need of improvement.

The DA answered "Yes" to 135 (95%) questions, "No" to 5 (4%) questions, and "N/A" to 2 (1%) questions. The DA did not identify any internal control improvements as a result of the CSA.

Our audit confirmed that a mission statement, operational goals, and fiscal objectives were established and available for reference. We also found that the DA conducted a General Management System (GMS) review, an internal, periodic evaluation of areas affecting the accomplishment of goals and objectives addressing current departmental concerns. In addition, our tests of selected control activities at each of the divisions reviewed by the DA disclosed that the tested controls were generally in place and operating effectively. Specifically, for the items tested, we found that:

- Petty cash funds were accounted for properly, verified by supervisors on a surprise basis, and adequately safeguarded.
- Overdue accounts were actively pursued for collection.
- Procedures were in place to document the loss, transfer, and retirement of fixed assets and to verify fixed assets annually against County records.
- Travel expenses were reviewed for reasonableness against supporting documentation and travel credit cards were adequately tracked and maintained by DA staff.
- GMS reviews were periodically performed and results were communicated to applicable DA management.
- Overtime was authorized by appropriate supervisory staff and accurately reported in the Ventura County Human Resources/Payroll System.
- Asset forfeiture reports were filed in a timely manner with the State.

However, we encourage the DA to implement certain improvements during the performance of the CSA to more fully derive the benefits of participating in the CSA Program. Specifically, improvements could be achieved by documenting a formal risk assessment of significant functions to better determine whether internal control activities adequately mitigate risks to the accomplishment of departmental goals and objectives. Further, the ICQ tool used by the DA could be more effective with modifications to reflect particular facts, conditions, and risks relevant to DA operations. Additionally, the method of verifying internal controls could be enhanced by performing detailed tests of controls in significant areas.

Following are details of the areas where the DA's performance of the CSA could be improved. Management planned to implement corrective action during the next CSA triennial cycle, which is scheduled to begin in 2010.

1. **Risk Assessment.** A risk assessment of significant processes within the DA's Office was not documented to support that various risks were considered and addressed for purposes of the CSA. The importance of performing a risk assessment is stressed in the *Guidelines* and is the first step of "Steps to CSA" within *Appendix B: Department Implementation Guidelines*. A risk assessment evaluates the possible internal or external risks relevant to the achievement of the DA's mission, goals, and objectives, and considers the effect of "what can go wrong" scenarios. As processes change due to the dynamics of accomplishing the DA's mission and other improvement endeavors, such as through participation in the County's Service Excellence Program, a risk assessment helps to ensure that effective controls are in place and are maintained. Without a proper, documented risk assessment of the DA's risks for purposes of the CSA, certain significant programs, functions, and processes may not be addressed during the CSA.

Management Action. DA management stated:

"The District Attorney's Office currently deploys an internal review process known as GMS (or General Management System) against which the Controlled Self-Assessment program appears redundant. The GMS program is modeled after the implementation of the same program in the County of San Diego. The GMS process involves creating a long-range Strategic Plan followed by the development of a short-term Operational Plan which encompasses the budget process, resource allocation decisions and risk assessment. A Monitoring and Control process is also implemented throughout the year and weighed against prior performance thresholds (i.e., case aging reports, filing ratios etc...). Lastly, the department also employs Motivation, Rewards and Recognition components to encourage continuing excellence by rewarding employees who exhibit model performance.

"In order for the risk assessment components of the GMS program to be recognized as valid within the auspices of the CSA program, future risk assessments can be developed in partnership with the CSA validation review team to ensure that CSA expectations are satisfied while at the same time avoiding breaches in confidentiality associated with the department's primary function (i.e., the prosecution of criminal and to a lesser extent civil violations) which as a matter of course encompass highly sensitive and statutorily protected material."

2. **Assessment Tool.** The ICQ tool used by the DA to assess internal controls was not modified to ensure the inclusion of control activities for all of the DA's significant processes. The ICQ provided in the *Guidelines* is generic in nature and designed to evaluate common internal control areas, focusing mainly on universal fiscal controls. As noted in *Appendix D: Department Internal Control Questionnaire*, the questionnaire is a starting point that should be modified to reflect particular facts, conditions, and risks relevant to each department's own circumstances. However, the DA assessed controls for only the three divisions of Administration/Fiscal, NSF Check Program, and Asset Forfeiture Unit to focus on cash-related operations. Modifying the assessment tool to expand into operational and compliance controls not addressed in the ICQ increases the effectiveness of the CSA.

Management Action. DA management stated: "The District Attorney's office agrees that its CSA did not assess controls for all of its major programs. Instead the department's review was limited to programs that are fiscal in nature. As is the case with the majority of other departments who participated in the CSA

validation audit, it was not made clear by the CSA review team that the audit was intended to extend beyond fiscal operations.”

3. **Method of Verification.** The DA could improve the method of verifying that control activities were in place and operating effectively during the CSA by performing independent tests separate from the DA’s daily activities. Within *Appendix B: Department Implementation Guidelines*, departments were encouraged to test control activities and retain supporting documents used to draw conclusions during the review. Of the 142 ICQ questions answered, an explanation was provided for virtually every question of how the DA verified whether internal controls were adequate (i.e., through observing operations, reviewing documentation, and/or discussing the matter with personnel). However, although management stated that actual detailed tests of controls were performed for some activities during the CSA, documenting the tests performed would provide support that the DA did verify the effectiveness of controls for purposes of the CSA.

Management Action. DA management stated: “While the department can expand the review of the CSA validation to other program areas as a part of future CSA reviews the program’s implementation will impose duplicative reviews at a time when the department’s resources are already over-extended. Nonetheless, future CSA testing and validations can be conducted but must be carefully crafted in partnership with the CSA validation review team in order to ensure that CSA expectations are satisfied while at the same time avoiding breaches in confidentiality associated with the department’s primary function (i.e., the prosecution of criminal and to a lesser extent civil violations) which as a matter of course encompass highly sensitive and statutorily protected material.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION: We believe that management’s planned actions were responsive to the audit findings. Management planned to complete improvement actions during the next CSA triennial cycle.

We appreciate the cooperation and assistance extended by you and your staff during this audit. We also appreciate the feedback we received on the CSA Program, which we intend to evaluate before re-launching the CSA Program in 2010.