

County of Ventura  
**AUDITOR-CONTROLLER**  
**MEMORANDUM**

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**To:** Michael Powers, County Executive Officer

**Date:** September 2, 2014

**From:** Jeffery S. Burgh

**Subject:** SUMMARY OF THE 2010 CONTROL SELF-ASSESSMENT PROGRAM

We have completed our engagements to validate the internal controls reported by County departments during the 2010 Control Self-Assessment ("CSA") Program. The attached report summarizes the results of the activities performed during the 2010 CSA Program and includes information on the next CSA Program cycle.

This report is provided for informational purposes only and includes a comment from the County Executive Office.

**EXECUTIVE SUMMARY**

Overall, departments reported that internal controls were in place and operating effectively, which we generally confirmed during our validations. Specifically:

- Department CSA results indicated a state of strong internal controls throughout the County, with 95 percent of CSA questionnaire responses reporting that controls were in place and operating effectively.
- Departments identified over 350 improvement actions to strengthen systems of internal control, chiefly regarding enhancements to Information Systems Security and the general Control Environment.
- Our validations confirmed that a sample of controls reported by six County departments were generally in place and operating effectively, although we identified further opportunities to improve internal controls in three departments.
- We found that sampled internal control improvement actions were generally implemented, with 100 percent of applicable improvements either complete or in progress.
- We identified areas where departments could further benefit from participation in the CSA Program by: ensuring full completion of CSA Program tools; summarizing planned improvement actions to promote accountability and implementation; and completing separate CSAs for major business units.

We appreciate the efforts of all County staff who contributed to the success of the 2010 CSA Program.

Attachment

cc: Honorable Steve Bennett, Chair, Board of Supervisors  
Honorable Kathy I. Long, Vice Chair, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Peter C. Foy, Board of Supervisors  
Honorable John C. Zaragoza, Board of Supervisors  
County Department Heads

County of Ventura  
Office of the Auditor-Controller



**SUMMARY OF THE 2010 CONTROL SELF-ASSESSMENT PROGRAM**

**September 2, 2014**

**Jeffery S. Burgh  
Auditor-Controller**

# SUMMARY OF THE 2010 CONTROL SELF-ASSESSMENT PROGRAM

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## SUMMARY OF THE 2010 CONTROL SELF-ASSESSMENT PROGRAM

### BACKGROUND

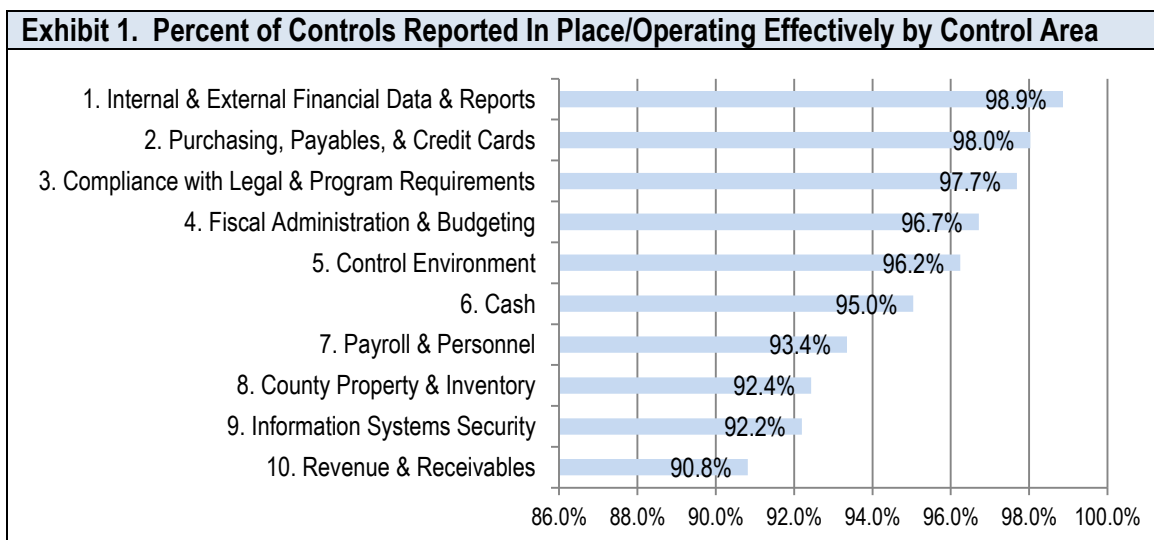
The County's Control Self-Assessment ("CSA") Program was established in 2004 by the Auditor-Controller and County Executive Office ("CEO") to promote strong internal controls throughout the County. The program requires department heads to formally assess and report on the status of internal controls to the Auditor-Controller on a periodic basis, currently every 3 to 5 years.

In October 2010, all County departments were asked to participate in the third cycle of the CSA Program using the County's *Internal Control Guidelines and Control Self-Assessment Program* ("Guidelines"). All 27 County departments were included in self-assessments for the entire agency or selected budget units, resulting in 43 complete CSA packages submitted to the Auditor-Controller between December 2010 and August 2012.

### 2010 CSA PROGRAM RESULTS

Overall, departments reported that internal controls were in place and operating effectively, which we generally confirmed during our validation engagements. Following are results from the 2010 CSA Program.

1. **Department Self-Assessment Results.** Departments completed each CSA using the tools provided in the *Guidelines*, consisting of a questionnaire that required answers to 400 internal control questions and a worksheet to facilitate evaluation of other significant internal controls.
  - A. **Controls in Place.** Department CSAs, which collectively provided nearly 18,000 responses to internal control questionnaire items, indicated a state of strong internal controls throughout the County. Overall, 95 percent of department questionnaire responses indicated that internal controls were in place and operating effectively. Of the 10 control areas included in the CSA questionnaire, departments reported that controls over Internal and External Financial Data and Reports were in place and operating effectively nearly 99 percent of the time as shown in Exhibit 1 below.

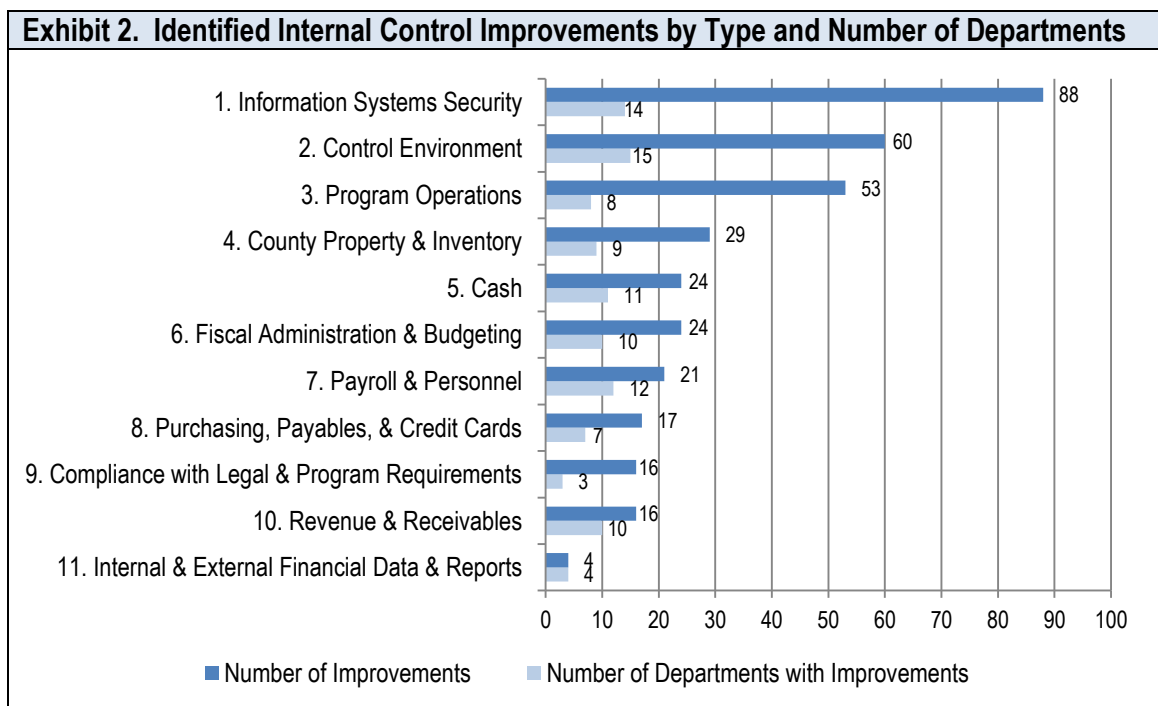


In addition, certain questionnaire items were reported to be in place and operating effectively for 100 percent of department CSAs. For example, all CSAs reported that:

- Managers have been provided with clear goals and direction by top management.
- Department source documents provide a ready audit trail to amounts recorded in the County's accounting system.
- Policies and procedures are in place to ensure a safe and secure workplace.

B. **Identified Improvement Opportunities.** Departments identified over 350 internal control improvement opportunities by completing CSA questionnaires and worksheets during the 2010 CSA Program. Improvements were most commonly reported in the area of Information Systems Security as illustrated in Exhibit 2 below, which accounted for 25 percent of all identified improvements, including:

- Documenting security administration processes for granting, changing, and removing access to data/databases.
- Documenting information technology security requirements.



In addition, 15 departments identified a total of 60 internal control improvement opportunities for the Control Environment, representing 17 percent of all identified improvements, including:

- Establishing and communicating a formal mission or value statement for specific divisions.
- Ensuring policies and procedures are documented, periodically reviewed, and readily available for employees.
- Providing all employees with annual performance evaluations.

2. **Auditor-Controller Validation Results.** To validate departments' self-reported internal controls, we selected a sample of 6 (22%) out of 27 departments to evaluate, on a test basis, the information reported in the departments' CSAs. Specifically, we:

- verified that selected internal controls were in place and operating effectively as reported in the departments' CSAs; and
- verified the status of planned internal control improvement actions reported in the departments' CSAs.

During the period November 2011 through May 2014, we issued separate validation reports to the following departments:

- |   |                         |
|---|-------------------------|
| 1) General Services Agency: Procurement | 4) District Attorney    |
| 2) Assessor                             | 5) Sheriff's Office     |
| 3) Agricultural Commissioner            | 6) Area Agency on Aging |

Except as discussed in the following paragraph, the validation engagements were conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* ("IIA Standards") promulgated by The Institute of Internal Auditors.

In connection with our engagements, certain disclosures were necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." At the time we completed our engagements, independence disclosure was necessary due to the Assistant Auditor-Controller receiving an acting department head assignment pay premium approved by the County Executive Officer. However, as the integrity of our findings was not subject to inappropriate influence by the County Executive Officer, the reader of our reports could rely on the information contained therein.

The validation engagements did not provide an opinion on the design and implementation of the departments' overall systems of internal control.

A. **Status of Internal Controls.** Our validations confirmed that the selected internal controls were generally in place and operating effectively as reported in department CSAs. For example, we confirmed that selected departments had established procedures to ensure compliance with applicable legal and program requirements, and operating and accounting policies and procedures were documented and provided to employees.

However, our reports presented six additional internal control improvements that were needed, indicating that the depth of self-assessment could be improved in some departments as similarly reported during the prior 2007 CSA Program. Of the 53 internal controls tested in six departments, we found that 2 (4%) internal controls relating to cash handling and travel credit cards were not always adequate in one department, resulting in 4 additional internal control improvements. We also found opportunities to further strengthen one existing internal control area in each of two other departments relating to submittal of employee performance reviews and support for grantee reimbursement requests.

B. **Status of Improvement Actions.** We confirmed that planned internal control improvement actions were generally implemented. Of the 20 internal control improvement actions we tested, 11 (55%) were complete, 8 (40%) were in progress, and 1 (5%) was no longer applicable. Completed internal control improvement actions included:

- Maintaining systems to inform staff of grant-related due dates and to track grantee audit findings.
- Entering subrecipients' audit results into a tracking system for follow-up.
- Separating the responsibility for comparing current to prior period payroll amounts from other payroll-related duties.

During our validations, we also identified opportunities to further enhance two planned internal control improvements for one department relating to monitoring of federal award subrecipients.

3. **Areas for Departments to Improve Future CSAs.** To ensure CSA submittals were complete and complied with program guidelines, we performed a desk review of all submittals and provided written feedback to departments. Our desk reviews identified areas where departments could further improve and benefit from participation in the next CSA Program cycle.

A. **Completion of CSA Program Tools.** As similarly reported during the prior 2007 CSA Program, departments did not always complete the CSA Program tools in a manner that would promote full and reliable documentation of internal controls. Of the 43 CSA packages reviewed by our office:

- 36 (84%) did not always provide information on how the department determined that a given internal control was in place and operating effectively (e.g., by identifying the operation observed, documentation reviewed, and/or names of personnel providing the information); and
- 23 (53%) required additional information or clarification from departments due to issues such as incomplete questionnaires and lack of improvement plans when weaknesses were noted.

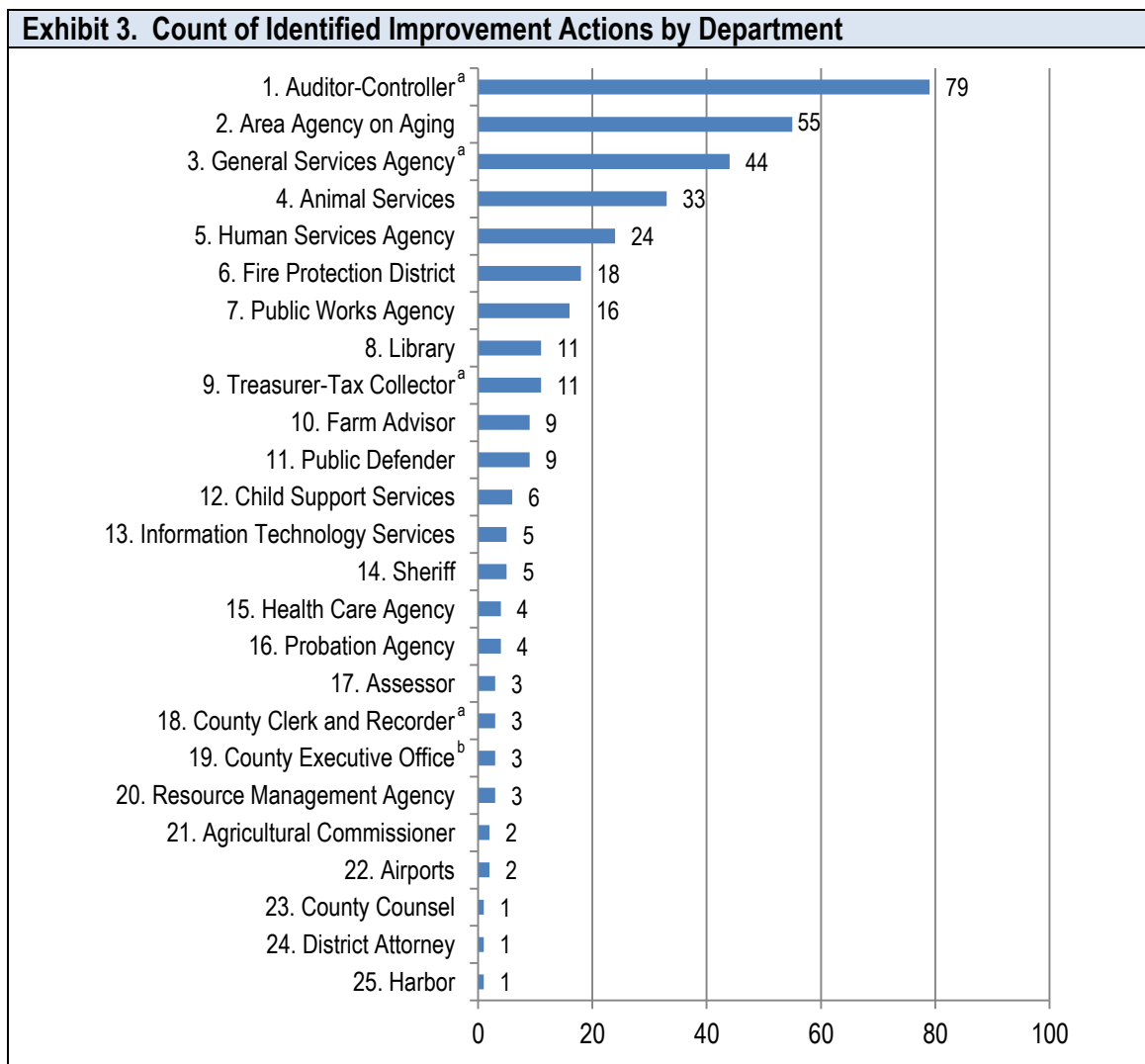
By fully completing the CSA Program tools, departments can better ensure that all relevant areas have been considered and appropriate controls are in place.

B. **Documentation of Planned Internal Control Improvement Actions.** As also similarly reported during the prior 2007 CSA Program, departments did not always document planned internal control improvement actions in a manner to promote accountability for ensuring those actions are actually implemented. Of the 43 CSA packages reviewed by our office:

- 35 (81%) did not always identify responsible personnel and/or expected completion dates for implementing internal control improvements; and
- 31 (72%) did not always summarize improvement plans and/or carry forward improvement plans to the department transmittal signed by the department head.

By summarizing all improvement actions into a comprehensive plan identifying responsible parties and due dates, departments can better ensure that all needed enhancements identified through the CSA Program are completed.

- C. **Completion of Separate CSAs for Major Budget Units.** Certain larger, more complex departments could benefit from completing separate CSAs for each major business unit within the department, rather than completing a single CSA for the entire department. During the 2010 CSA Program, only 4 (15%) of 27 departments completed full, separate CSAs for major budget units, which accounted for 137 (39%) of the 352 total improvement opportunities as identified in Exhibit 3 below. For example, the County’s General Services Agency (“GSA”) completed a separate CSA for each of nine individual business units. This allowed GSA management to review operations in more detail than would have been possible by completing a single CSA.



<sup>a</sup> Department completed multiple full CSAs for major business units

<sup>b</sup> County Executive Office included Board of Supervisors and Civil Service Commission



## THE NEXT CSA PROGRAM CYCLE

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The Auditor-Controller will be revising the *Guidelines* for the upcoming fourth CSA Program cycle and will be conducting training sessions for staff Countywide to review the purpose and expectations of the CSA Program. As in prior years, the Auditor-Controller will coordinate the announcement of the timing of upcoming CSA Program activities with the CEO.

Fiscal years 2014-15 and 2015-16 represent a period of significant change for the County's internal controls, as the County is in the process of implementing the first major upgrade of the County's financial system since 1997. While important that County management monitor controls on a continuous basis, periods of significant change require critical attention to internal controls. By performing thorough self-assessments during the next CSA Program cycle, departments will have a tool to help map existing controls to the new financial system and identify gaps and opportunities to further strengthen systems of internal control.

In our previous report on the results of the 2007 CSA Program, CEO management stated: "...involvement by our [CEO's] Program Management Analysts during the departments' self-assessments should provide a perspective to facilitate a deeper consideration of internal controls. A partnership approach between the departments, the Auditor-Controller, and the CEO could add more value to the CSA." The Auditor-Controller is committed to continuing this partnership in the next CSA Program cycle, with the goal of assisting departments in achieving the maximum value from the self-assessment process.

**CEO Comment.** Although not required, the following comment was provided by CEO management:

"It is the County Executive Office's belief that establishing and maintaining adequate internal controls are an integral part of management responsibilities. Not only do such controls provide reasonable assurance that County assets and resources are adequately safeguarded, they are also helpful in effectively and efficiently achieving operational goals including efforts to support the Countywide Strategic Plan. Adequate internal controls are a significant factor to ensure departments are in compliance with applicable laws, regulations, and policies and are a good basis for evaluating improvements through the Lean 6 process.

"We appreciate the Auditor-Controller's evaluation of the Control Self-Assessment process and commend department management for their positive efforts in establishing and maintaining internal controls. We believe all County employees are responsible for complying with internal controls and communicating noted deficiencies to department management. It is also essential that when deficiencies are identified management takes appropriate corrective action. Our office will continue to partner with the Auditor-Controller and work with department managers to ensure compliance with internal control guidelines."