

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Kimberly Prillhart, Director, Resource Management Agency

Date: December 4, 2019

From: Jeffery S. Burgh

Subject: VALIDATION OF THE 2015 CONTROL SELF-ASSESSMENT FOR THE
VENTURA COUNTY RESOURCE MANAGEMENT AGENCY

We have completed our engagement to validate the internal controls reported in the 2015 Control Self-Assessment for the Ventura County Resource Management Agency ("RMA"). The results of our validation are summarized below.

BACKGROUND

In an effort to promote strong internal controls Countywide, the Auditor-Controller and County Executive Office have jointly established a Control Self-Assessment ("CSA") Program. The CSA Program requires departments to formally assess the adequacy of internal controls at least once during the multi-year program cycle and report the results to the Auditor-Controller's Office for review and validation. The 2015 CSA for RMA was fully submitted as of August 17, 2017.

RMA was authorized 193 positions and \$27.1 million in appropriations for Fiscal Year ("FY") 2017-18, and is comprised of five divisions:

- 1) Building and Safety protects the public against hazards associated with the construction, use, and occupancy of buildings and structures;
- 2) Planning protects the health, safety, and welfare of the general public through administration and enforcement of the County General Plan and applicable ordinances, policies, laws, and regulations;
- 3) Environmental Health performs mandated activities of enforcing orders and ordinances of the Board of Supervisors and State statutes related to environmental health;
- 4) Code Compliance ensures equity for buyers and sellers in commercial transactions to protect the rights of both, and enforces zoning and building codes; and
- 5) Operations provides general administration to RMA.

SCOPE

Our overall objective was to evaluate, on a test basis, the information reported in RMA's CSA. Specifically, we:

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

Our validation procedures focused on control existence and operating effectiveness during October through December 2017, although our tests were expanded in certain areas as needed. The engagement was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

This engagement does not provide an opinion on the design and implementation of the department's overall system of internal control.

VALIDATION RESULTS

In general, we found that the selected internal controls were in place and operating effectively as reported in the department's CSA, although further improvements were needed. We also confirmed that all of the department's planned internal control improvement actions were either complete or in progress. Following are details of our validation results.

1. **Control Existence and Operating Effectiveness.** Of the seven internal controls we selected for validation, we found that four were in place and operating effectively as reported by the department and three were in need of improvement. For example, we found that RMA has established and implemented:
 - A formal mission and values statement that has been communicated throughout the agency.
 - Monthly reconciliation of trust funds to the Ventura County Financial Management System ("VCFMS").
 - Regular review of accounts receivable aging reports.

However, RMA could further enhance existing controls over recording of cash overages and shortages, responding to customer survey feedback, and reviewing policies and procedures. During our validation, we also identified another control area in need of improvement regarding release of trust fund deposits as detailed below. RMA management initiated corrective action during our validation as noted.

- A. **Release of Trust Fund Deposits.** Trust fund balances were not always released to depositors in a timely manner. The Auditor-Controller's Accounting Bulletin 16-01 issued June 30, 2016, revised June 2017, Section VI(C) stated: "The department should review the balances by year received (Aging) and determine if balances need to be returned, escheated, etc." Our review of 943 deposits in one of three trust funds sampled as of October 31, 2017, disclosed that 96 (10%) deposits totaling over \$39,640 had been on deposit for over 18 years. Balances that have remained inactive for a lengthy period of time may cause difficulties in locating customers to return deposits. Furthermore, this causes the unnecessary monthly reconciliation of trust balances that could have been cleared.

Recommendation. As part of the monthly trust fund reconciliations, RMA management should identify trust fund balances that may be eligible for release to depositors or escheated to the County's General Fund.

Management Action. RMA management stated:

“Agree with finding.

“Resource Management Agency – Operations Fiscal Unit has staff that reconciles the trust balances monthly. A staff person will be assigned to review the trust fund balances that have been on deposit for over 18 years. Refunds will be issued for those permits that are closed.

“The review of the deposits over 18 years will be completed by June 30, 2020. The assigned staff will continue to review additional deposits on a monthly basis.”

- B. **Daily Cash Overages and Shortages.** Cash overages and shortages were not always recorded in VCFMS in a timely manner. Administrative Policy No. Chapter VII(A)-9, *Cash Handling Responsibilities and Guidelines*, stated: “Cash overages/shortages should be properly recorded on daily cash receipts using the Cash Over revenue account or the Cash Under expenditure account.” Our review of 37 cash shortages and 38 cash overages during FY 2017-18 disclosed that 17 (46%) shortages and 1 (3%) overage were recorded in VCFMS over 1 week from the date the shortage/overage was identified. Furthermore, one shortage totaling \$100 was recorded 58 days after the shortage occurred. Cash overages and shortages that are not recorded in VCFMS within a reasonable amount of time reduces the ability of RMA management to investigate discrepancies and are at risk of not being recorded at all.

Recommendation. RMA management should record cash overages and shortages in VCFMS on a daily basis, in accordance with the guidelines set forth in the Administrative Policy.

Management Action. RMA management stated:

“Agree with finding.

“Resource Management Agency – Operations Fiscal Unit, will process deposits daily and record cash shortages and overages on a timely manner. Due to a shortage and turnover of staff during the last two fiscal years, we were not able to meet the daily deadline. The Fiscal section had two vacancies; the position assigned to accounts receivables was filled during the month of November 2019 and the second vacancy, we are planning on filling during this fiscal year.

“This process will be implemented immediately.”

- C. **Customer Survey Feedback Follow-Up.** Improvements were needed in RMA management’s oversight of customer feedback. Our review of RMA’s Public Opinion Logs from October 2016 through December 2017, which contained 63 log entries, identified the following:

- None of the four entries with a “poor” rating indicated that management followed up with the applicable RMA personnel to help prevent future occurrences, such as with further training.

- Nine (75%) out of 12 other entries with higher ratings that offered suggestions for improvement did not indicate that management considered the suggestions.
- Three (60%) out of five entries with customer requests for a callback from RMA showed no indication that a callback occurred.

Excellent customer service practices advocate that, when customers request a callback, express dissatisfaction, or offer suggestions for improvement, management responds promptly to sustain a customer-oriented culture.

Recommendation. RMA management should follow up with the RMA personnel involved with poor ratings and take proactive measures that may prevent recurrences. RMA management should also address suggestions for improvement and ensure that customers receive a callback when requested. These actions should be documented on the Public Opinion Log to record the consideration given to customer feedback.

Management Action. RMA management stated:

“Agree with finding.

“When RMA receives a Public Opinion survey/ comments, the respective division follows up with the customer. If a poor rating is received, the division manager will contact the customer. The response/ outcome of the follow up with the customer is noted in the public opinion log. There are instances when status and/or outcome of the follow up is not recorded on the public opinion log. The process will be updated to ensure that status and/or outcome is noted where there are suggestions for improvement, poor ratings, and/or callback requests.

“This process will be implemented immediately.”

- D. **Periodic Review of RMA Policies and Procedures.** Although RMA policies and procedures were readily available for employees on RMA’s intranet, further actions could be taken to ensure that the policies and procedures are subject to regular review and revision. Three (75%) of the four policies we reviewed had not been revised since the date the policies were first issued, as far back as 2007. The one policy that had been subject to revision was last revised in 2013. In an environment of constant change, a consistently scheduled review of policies and procedures would help to ensure that guidance is current and relevant to meet the needs of the agency.

Recommendation. RMA management should create a consistent review schedule (e.g., annual, biennial, etc.) of RMA policies and procedures and include a "last reviewed" date on policy documents.

Management Action. RMA management stated:

“Agree with finding.

"RMA will start reviewing the policies and procedures biennially; sixteen (16) of the policies will be reviewed during fiscal year 2019-2020 and the other sixteen (16) will be reviewed in fiscal year 2020-2021.

"We will continue reviewing all policies and procedures every two years and include the last reviewed date on the policy.

"This process will be implemented January 2020."

2. **Status of Planned Improvement Actions.** Of RMA's three planned internal control improvement actions, we found that one has been completed and two are in progress. Specifically, RMA has met with the Public Works Agency ("PWA") to request that PWA staff email RMA when a case has been closed to facilitate RMA's issuance of customer refunds in a more timely manner. Additional improvement items in progress include:

- Issuing refunds within 30 days from case closeout.
- Identifying uncollectible accounts and submitting to the Auditor-Controller on an annual basis for discharge from accountability.

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the validation findings. RMA management planned to complete corrective actions by June 30, 2020.

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

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kelly Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer