

**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Michael Powers, County Executive Officer

Date: July 31, 2020

From: Jeffery S. Burgh

Subject: SUMMARY OF THE 2015 CONTROL SELF-ASSESSMENT PROGRAM

We have completed our engagements to validate the internal controls reported by County departments during the 2015 Control Self-Assessment ("CSA") Program. The attached report summarizes the results of the activities performed during the 2015 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 98 percent of CSA questionnaire responses reporting that controls were in place and operating effectively.
- Departments identified 177 improvement actions to strengthen systems of internal control, chiefly regarding enhancements to Revenue and Receivables as well as Information Systems.
- Our validations confirmed that a sample of controls reported by five County departments were generally in place and operating effectively, although we identified further opportunities to improve internal controls in all five 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: providing sufficient information on how controls were verified; identifying responsible personnel and/or completion dates for implementing internal control improvements; and completing separate CSAs for major business units.

We appreciate the efforts of all County staff who contributed to the success of the 2015 CSA Program.

Attachment

cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
County Department Heads

County of Ventura
Office of the Auditor-Controller



SUMMARY OF THE 2015 CONTROL SELF-ASSESSMENT PROGRAM

July 31, 2020

Jeffery S. Burgh
Auditor-Controller

SUMMARY OF THE 2015 CONTROL SELF-ASSESSMENT PROGRAM

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SUMMARY OF THE 2015 CONTROL SELF-ASSESSMENT PROGRAM

BACKGROUND

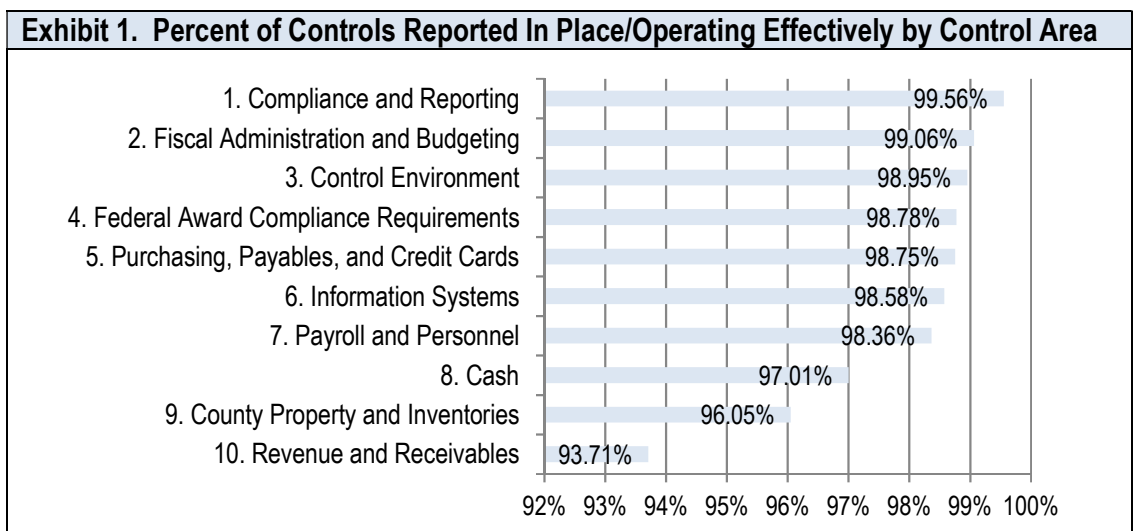
The County's Control Self-Assessment ("CSA") Program was established in 2004 by the Auditor-Controller and County Executive Office ("CEO") to promote strong internal controls throughout the County. The program requires department heads to formally assess and report on the status of internal controls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

In August 2015, all County departments were asked to participate in the fourth 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 42 complete CSA packages submitted to the Auditor-Controller between December 2015 and April 2020.

2015 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 2015 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 344 internal control questions and a worksheet to facilitate evaluation of other significant internal controls.
 - A. **Controls in Place.** Department CSAs, which collectively provided over 14,500 responses to internal control questionnaire items, indicated a state of strong internal controls throughout the County. **Overall, 98 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 Compliance and Reporting were in place and operating effectively nearly 100 percent of the time as shown in Exhibit 1 below.

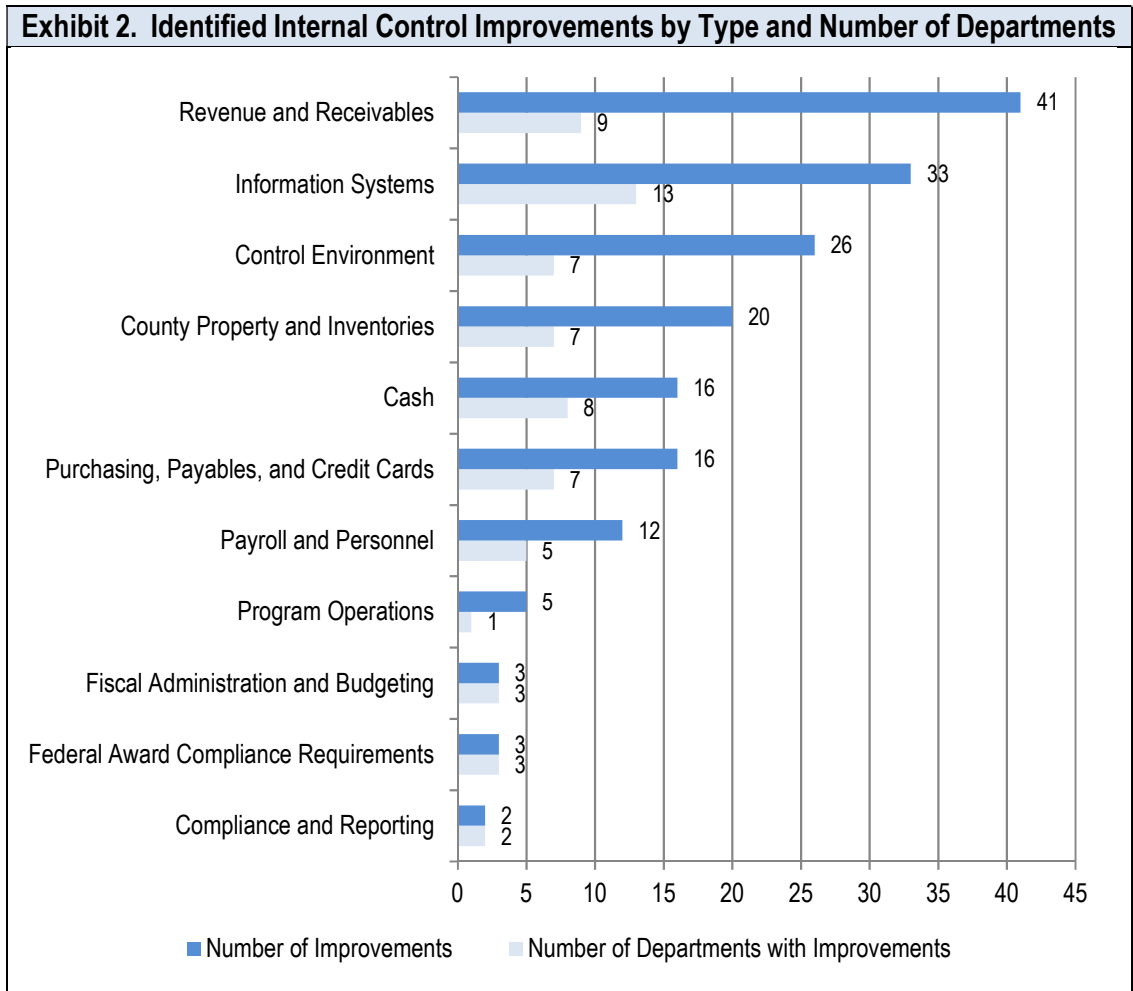


In addition, 74 percent of questionnaire items were reported to be in place and operating effectively for all department CSAs. For example, 100 percent of CSAs reported that:

- Management considers the potential for fraud when identifying, analyzing, and responding to risks.
- Invoices are checked for mathematical accuracy prior to approval for payment.
- Access to systems is removed for terminated or transferred staff in a timely manner.

B. Identified Improvement Opportunities. Departments identified 177 internal control improvement opportunities by completing CSA questionnaires and worksheets during the 2015 CSA Program. Improvements were most commonly reported in the area of Revenue and Receivables as illustrated in Exhibit 2 below, which accounted for 23 percent of all identified improvements, including:

- Summarizing the outstanding balances of individual accounts receivable and reconciling to control balances on a regular basis.
- Reviewing an accounts receivable aging report (i.e., a listing of receivables grouped by age) on a regular basis to evaluate the collection process and identify accounts which should be pursued for collection or discharge from accountability.



In addition, 13 departments identified a total of 33 internal control improvement opportunities for Information Systems, representing 19 percent of all identified improvements, including:

Text has been redacted pursuant to California Government Code §6254.19 and §6255.

2. **Auditor-Controller Validation Results.** To validate departments' self-reported internal controls, we selected a sample of 5 (19%) 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 June 2017 through December 2019, we issued separate validation reports to the following departments:

- | | | |
|---------------------------|------------------------|-------------------------------|
| 1) Department of Airports | 3) Public Works Agency | 5) Resource Management Agency |
| 2) Public Defender | 4) Harbor Department | |

The validation engagements were conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. 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 established and communicated a formal mission or value statement throughout the agency.

However, our reports presented additional internal control improvements that were needed by all five departments, including two departments that did not self-identify any internal control improvements during the 2015 CSA Program. This indicated that the depth of self-assessment could be improved in some departments as similarly reported during the prior 2010 CSA Program.

Of the 34 internal controls tested in five departments, we found that 10 internal control improvements were needed:

- One control was not in place and operating as reported in the department's CSA. Specifically, we found that cash drawers were not always being counted in the presence of at least two people.

- Nine controls were generally in place and operating effectively as reported in department CSAs, but presented opportunities to further enhance existing controls. For example, we identified that one department could strengthen controls over documentation to demonstrate that invoices were paid timely and not subject to interest on unpaid balances. We also found that a department could strengthen monthly trust fund reconciliation processes by identifying balances that can be returned to depositors.

B. **Status of Improvement Actions.** We confirmed that planned internal control improvement actions were generally implemented. Of the 13 internal control improvement actions we tested, 6 (46%) were complete, 6 (46%) were in progress, and 1 (8%) was no longer applicable. Completed internal control improvement actions included:

- Documenting and providing operating and accounting policies and procedures to employees in desk manuals, memoranda, etc.
- Updating the Continuity of Operations Plan on a quarterly basis.
- Reviewing and approving credits and refunds in a timely manner.

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. **Overall, we found that departments had strengthened the thoroughness of CSA documentation as compared to the prior 2010 CSA Program cycle.**

Our desk reviews identified areas where departments could further improve and benefit from participation in the next CSA Program cycle.

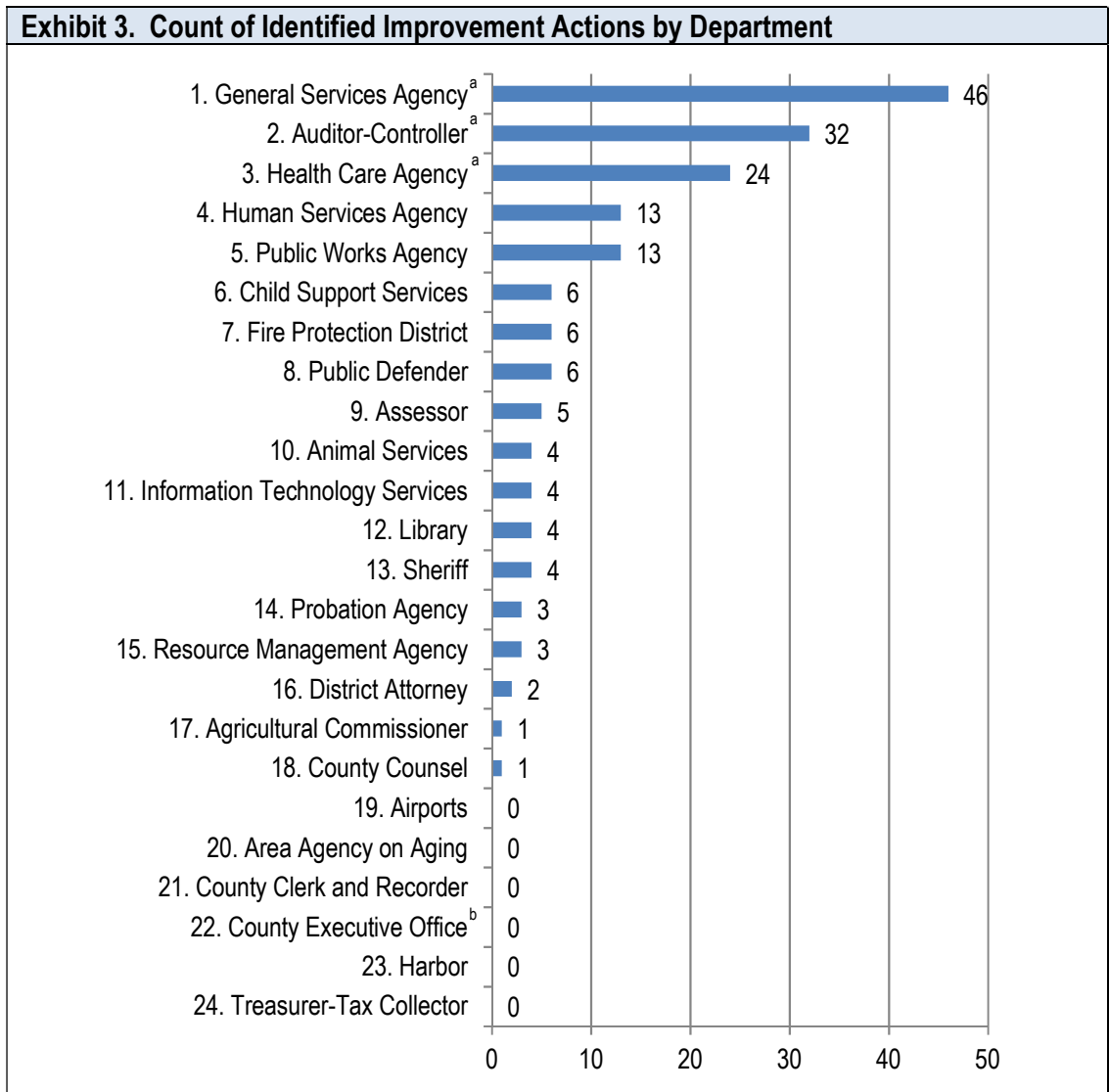
A. **Completion of CSA Program Tools.** As similarly reported during the prior 2010 CSA Program, departments did not always complete the CSA Program tools in a manner that would promote full and reliable documentation of internal controls. **Of the 42 CSA packages reviewed by our office, 12 (29%) did 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). However, we noted that the completeness of departments' CSA documentation improved significantly compared to the 2010 CSA Program, when 84 percent of reviewed CSA packages did not always provide sufficient information on how controls were verified.

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 2010 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 42 CSA packages reviewed by our office, 8 (19%) did not always identify responsible personnel and/or expected completion dates for implementing internal control improvements.** Once again, the completeness of departments' documentation of planned internal control improvement actions improved from the 2010 Program cycle, when 81 percent of reviewed CSA packages did not always fully document planned improvement actions.

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 2015 CSA Program, only 3 (11%) of 27 departments completed full, separate CSAs for major budget units. These three departments identified the highest number of improvement opportunities, accounting for 102 (58%) of the 177 total improvement opportunities as identified in Exhibit 3 below. Completing a separate CSA for each major budget unit allowed department management to review operations in more detail than would have been possible by completing a single CSA. **We would like to recognize the General Services Agency, Auditor-Controller’s Office, and Health Care Agency for completing separate CSAs for major budget units.**



^a Department completed multiple full CSAs for major business units

^b County Executive Office included Board of Supervisors, Civil Service Commission, and Farm Advisor

THE NEXT CSA PROGRAM CYCLE

The Auditor-Controller will be revising the *Guidelines* for the upcoming fifth CSA Program cycle and will be providing training 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.

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.

“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.”