County of Ventura
Auditor-Controller's Office
Internal Audit Division

AUDIT PLAN

FISCAL YEAR 2008-09

Christine L. Cohen
Auditor-Controller

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Auditor-Controller's Office
Internal Audit Division

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Fiscal Year 2008-09

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INTRODUCTION

The Internal Audit Division conducts audits as specified under California Government Code Section 1236. Specifically, audits are performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and *Government Auditing Standards* issued by the Comptroller General of the United States, as applicable.

These auditing standards require the Auditor-Controller, as the County's chief audit executive, to establish a risk-based plan to determine the priorities of the Internal Audit Division. Our annual Audit Plan represents the culmination of various contributing factors. These factors include the results of a Countywide risk assessment performed by the Internal Audit Division and input provided by pertinent parties, such as County management and Internal Audit staff.

The annual Audit Plan is developed at the beginning of the fiscal year, and various events may occur throughout the year requiring deviation from the established plan. These events may range from a turnover of Internal Audit staff to serious operational concerns reported through the Employee Fraud Hotline. Therefore, the annual Audit Plan may be modified to accommodate a change in resources or to address significant issues requiring the Internal Audit Division's attention.

MISSION STATEMENT

> *The Internal Audit Division, through cooperation with County management, accomplishes timely audits that foster positive change to reduce risk and enhance the economy, efficiency, and effectiveness of Ventura County departments/agencies.*

The purpose, authority, and responsibility of the Internal Audit Division was established in an Internal Audit Charter as approved by the Board of Supervisors on August 23, 1994. In addition, the County Administrative Policy on *County Auditing* provides additional guidance on the nature of Internal Audit activities performed by the Auditor-Controller.

The Internal Audit Division assists all levels of management in achieving County objectives by bringing a systematic approach to evaluate and improve risk management, control, and governance processes in the following areas:

- Safeguarding of County assets from fraud, waste, or misuse;

- Achievement of operational objectives through effective and efficient use of resources;

- Compliance with applicable policies, procedures, laws, and regulations; and

- Reliability of internal and external financial information and reports.

GOALS AND OBJECTIVES

The Internal Audit Division's goals and objectives for fiscal year (FY) 2008-09 include:

1. Issue 12 audit reports and 12 Control Self-Assessment validation reports during the fiscal year.

2. Identify $500,000 in cost savings or revenue enhancement opportunities for the County.

3. Provide support to agency/department management in the development and ongoing evaluation of internal control systems.

4. Improve the timeliness of audit reports.

5. Use Internal Audit Division staff as follows (not including vacation, sick, and holiday hours):

    - 80% direct time (i.e., billable audit hours)

    - 20% indirect time (i.e., training, administrative projects, staff meetings, etc.)

6. Identify 20 potential audit subjects.

7. Issue one special project engagement report.

8. Perform an annual quality assurance review.

9. Schedule eight training sessions to increase staff knowledge of auditing techniques.

10. Follow-up on previously issued significant audit reports within 6 to 18 months of management's reported corrective action.

11. Encourage staff development, resulting in 50% of Internal Audit Division staff with relevant professional certifications (i.e., CPA, CIA, CFE).

12. Ensure that 100% of auditors meet CPE requirements.

PERFORMANCE MEASUREMENTS

To evaluate the effectiveness of the Internal Audit Division and to determine whether operational adjustments are necessary, the following performance measurements have been adopted:

1. 80% of all audits are completed within the budgeted hours allocated.

2. 100% of mandated audits have been completed or are in progress.

3. 80% of non-mandated audits:

    - Produce results that justify the audit hours expended.

    - Result in additional revenue and/or cost savings to the County.

    - Address management issues.

4. 20% of non-mandated audits:

    - Address streamlining operations.

    - Address increased efficiency through automation.

    - Address performance measurements.

    - Are requested by auditee management.

    - Impact on countywide systems.

    - Cross organizational lines or involve interagency coordination.

    - Address previously-submitted audit needs.

5. 100% of audit findings are corrected or corrective action has been initiated by management during the course of the audit.

6. 100% of audit findings are noted to have corrective action implemented during follow-up audits.

7. 100% of complaints received through the Employee Fraud Hotline have been resolved, redirected, or are under review.

8. 100% of audits of Special Districts, Joint Powers Authorities, and Federal Award Subrecipients are in compliance with applicable requirements.

AUDIT PLANNING PROCESS

Audit Selection

The Auditor-Controller makes the final determination in selecting audits that will be performed. To achieve optimum utilization of audit resources, audits are selected using the following criteria:

1. Legal mandates

2. Audit requests (i.e., from Board of Supervisors, County management, Grand Jury, etc.)

3. Risk assessment results

4. Financial exposure

5. Potential risk of loss

6. Operating benefit opportunities

7. Changes in operations

8. Date and result of last audit

9. Capabilities of the Internal Audit staff

10. Sensitivity to:

    - Mismanagement

    - Unauthorized use of resources

    - Erroneous reports of data

    - Illegal or unethical acts

    - Adverse or unfavorable public opinion

Audit Survey

Once audit areas are selected, additional subject research (i.e., an audit survey) is performed to assure that the area warrants an audit. During the survey, objectives identifying areas that could benefit from detailed evaluation are developed through use of interviews, observations, and limited testing.

When originally included in the Audit Plan, audit areas have not been subjected to an audit survey; therefore, budgeted time in the Audit Plan is subjective. Once the audit scope has been determined and field work begins, the time requirements for the audit are established and may differ from the planned hours in the Audit Plan.

RISK ASSESSMENT

The Internal Audit Division performs an annual Countywide risk assessment for audit planning purposes. The risk assessment identifies, measures, and prioritizes scheduling of potential audits based on each agency/department's level of risk to the County.

Methodology

The risk assessment performed for the FY 2008-09 Audit Plan was based on objective, measurable criteria gathered by the Internal Audit Division. The following risk factors were developed and one weight point was assigned to each, for a total of 15 weight points:

1. Budgeted appropriations

2. Budgeted revenues

3. Full-time equivalent positions

4. Fixed assets - equipment and vehicles only

5. Last audit date

6. Need for follow-up audit

7. Participation in the Control Self-Assessment Program

8. Number of theft incidents

9. Number of deputized auditor-controllers

10. Number of outside bank accounts

11. Number of trust accounts

12. Number of transactions

13. Three-year appropriation/revenue trends

14. Budget versus actual expenditures - two prior years

15. Budget versus actual revenues - two prior years

Using the above criteria, each major budget unit within each agency/department was ranked on a scale of 0 to 15 (15 representing highest risk and 0 lowest risk). An overall risk score was then assigned to areas of high (6.0 - 15.0), moderate (3.0 - 5.9), and low (0 - 2.9) risk.

Results

The following table (Exhibit 1) shows each agency/department ranked from highest risk to lowest risk. Departments were placed in order of the related budget unit with the highest risk level. For departments with multiple budget units, the related budget unit with the highest risk level determined the department's rank in the table. For example, the budget unit for Sheriff's Police Services was rated the highest risk at 8.10 on a 15-point scale, placing the Sheriff at the top of the risk assessment.
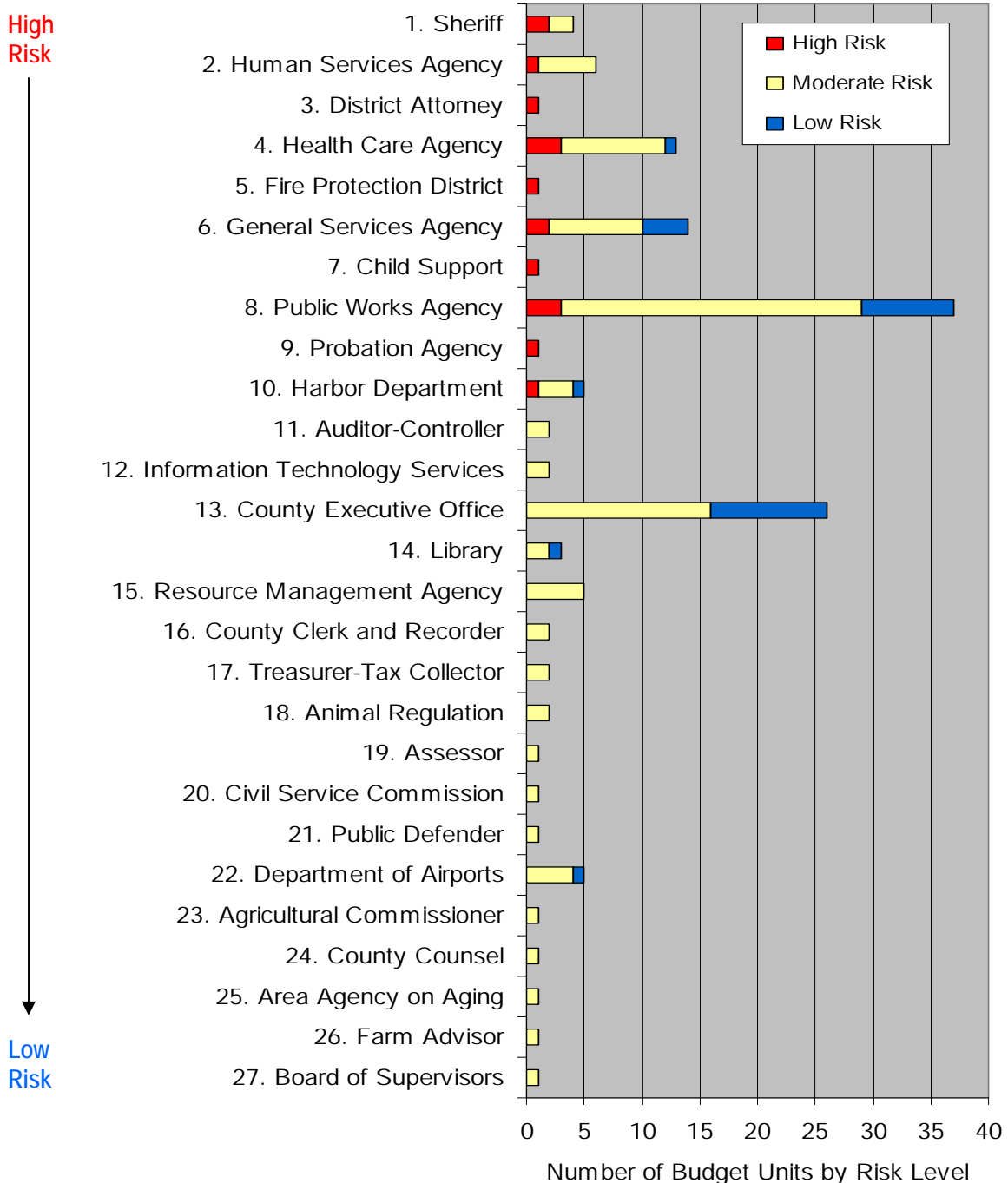
EXHIBIT 1
Agencies/Departments by Risk Level (Table)

Agency/Department	Number of Budget Units by Risk Level			Total Number of Budget Units
	High	Moderate	Low	
1. Sheriff	2	2		4
2. Human Services Agency	1	5		6
3. District Attorney	1			1
4. Health Care Agency	3	9	1	13
5. Fire Protection District	1			1
6. General Services Agency	2	8	4	14
7. Child Support	1			1
8. Public Works Agency	3	26	8	37
9. Probation Agency	1			1
10. Harbor Department	1	3	1	5
11. Auditor-Controller		2		2
12. Information Technology Services		2		2
13. County Executive Office		16	10	26
14. Library		2	1	3
15. Resource Management Agency		5		5
16. County Clerk and Recorder		2		2
17. Treasurer-Tax Collector		2		2
18. Animal Regulation		2		2
19. Assessor		1		1
20. Civil Service Commission		1		1
21. Public Defender		1		1
22. Department of Airports		4	1	5
23. Agricultural Commissioner		1		1
24. County Counsel		1		1
25. Area Agency on Aging		1		1
26. Farm Advisor		1		1
27. Board of Supervisors		1		1
Total	16	98	26	140

High Risk (at top) ... Low Risk (at bottom)

Exhibit 2 below is a graphical representation of the risk assessment results presented in Exhibit 1 on the previous page. Again, although departments may have multiple budget units that were ranked individually, the budget unit with the highest risk level determined the department's ranking in the graph.

EXHIBIT 2
Agencies/Departments by Risk Level (Graph)

DIVISION ORGANIZATION CHART

The following organization chart represents current Internal Audit staff resources as of July 1, 2008:

EXHIBIT 3
Internal Audit Division Organization Chart

```
                    Christine L. Cohen
                    Auditor-Controller


Administration


                 Barbara Beatty, CPA, CIA
              Deputy Director Auditor-Controller


     Paul Chinn                          Hortensia Pizano
   Fiscal Manager I                      Internal Auditor III


   Brant Markley                          Andrew Saavedra
  Internal Auditor II                     Internal Auditor I


      Vacant                                  Vacant
  Internal Auditor                        Internal Auditor


      Vacant
  Internal Auditor
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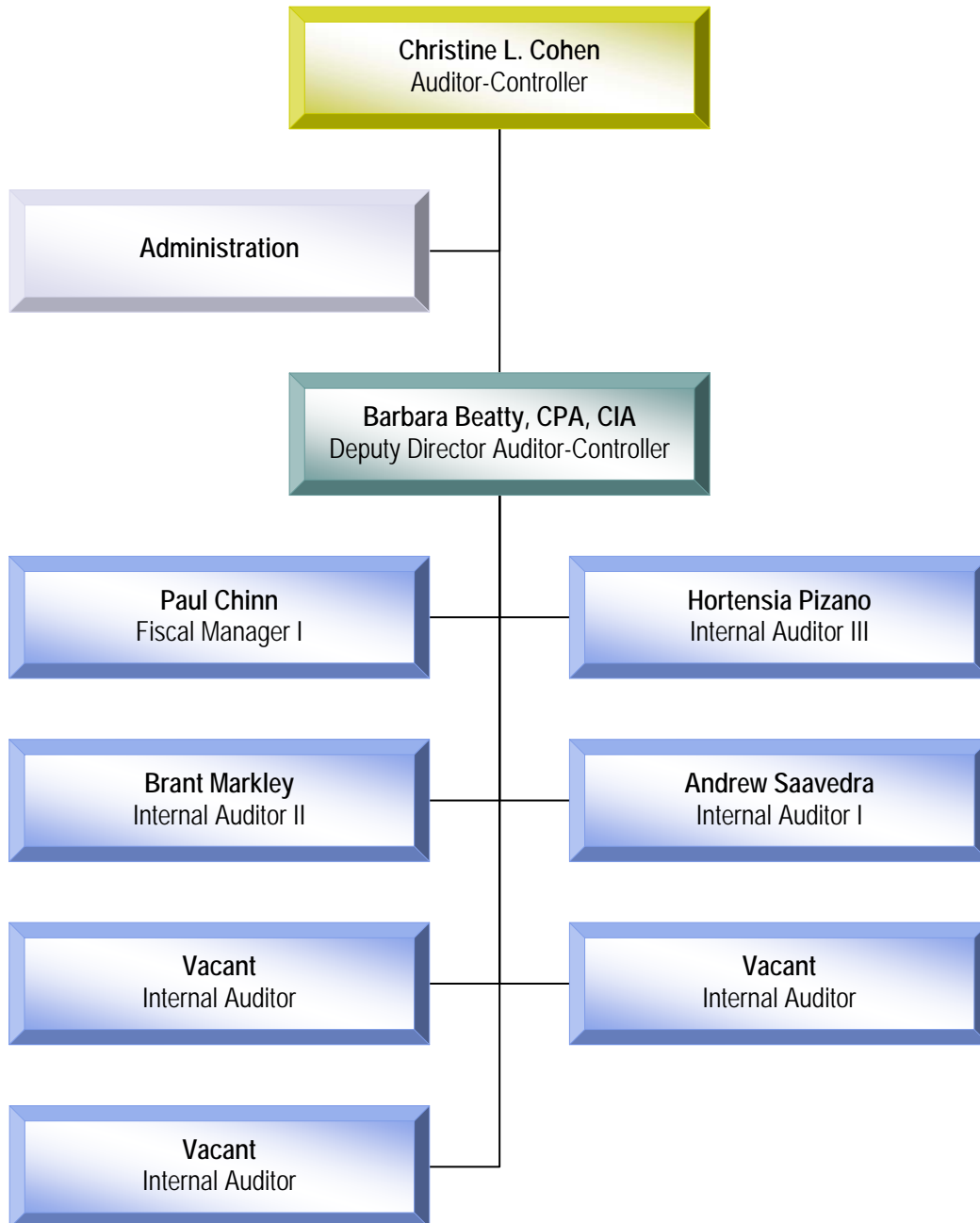
AUDIT RESOURCES

Exhibit 4 below shows the number of budgeted positions for the Internal Audit Division for FY 2008-09.

EXHIBIT 4
Budgeted Positions

Position	Authorized for FY 2008-09	Assigned as of July 2008
Deputy Director Auditor-Controller[1]	1	1
Fiscal Manager I/II	1	1
Internal Auditor IV	4	0
Internal Auditor III	2	1
Internal Auditor II	0	1
Internal Auditor I	0	1
TOTAL	8	5

Exhibit 5 below shows the number of direct (i.e., "billable") hours anticipated for FY 2008-09.

EXHIBIT 5
Budgeted Direct Hours

Position	Number of Assigned Auditors		Hours Available per Auditor[2]		Direct Time Goal per Auditor[3]		Direct Hours Budgeted
Fiscal Manager I/II	1	x	1,800	x	0.80	=	1,440
Internal Auditor III	1	x	1,800	x	0.80	=	1,440
Internal Auditor II	1	x	1,800	x	0.80	=	1,440
Internal Auditor I	1	x	1,800	x	0.80	=	1,440
Internal Auditor (vacant)[4]	2	x	1,350	x	0.80	=	2,160
TOTAL							7,920

[1] Position does not charge direct time.

[2] Based on 2,080 full-time hours, subtracting standard accruals of 280 hours for vacation, sick, and holiday hours.

[3] Direct time goal is 80% of productive hours (reference Objective 5 on page 2).

[4] Anticipates two vacant positions to be filled by October 1, 2008; the third vacant position is not anticipated to be filled during FY 2008-09.

PLANNED AUDITS

The following audits are planned to be initiated and/or completed during FY 2008-09. The total planned hours equal the direct hours available as illustrated in Exhibit 5 on the previous page.

Audits in Progress - Prior Fiscal Year	FY 2008-09 Planned Hours
1. Health Care Agency - Change in Director	15
2. Resource Management Agency - Accounts Receivable Follow-Up	50
3. Probation - Juvenile Accounts	25
4. Medical Examiner - Management of Decedent Assets	10
5. Animal Regulation - Cash Controls Follow-Up	25
6. Public Works Agency - Hotline Verification 08-0008	10
7. Fire Protection District - Management of Sensitive Non-Fixed Assets	120
8. Board of Supervisors - Change in Supervisor	50
9. Health Care Agency - Public Health Clinics Cash Controls Follow-Up	40
10. General Services Agency - Lease Administration Follow-Up	140
11. Public Administrator-Public Guardian (PAPG) - Management of Client Assets Follow-Up	230
12. Information Technology Services - Change in Director	125
13. County Executive Office - Change in Department Head	140
14. Human Services Agency - Change in Director	140
15. Public Defender - Change in Department Head	150
16. Treasurer-Tax Collector/PAPG - Control Self-Assessment Validation	100
17. Health Care Agency - Control Self-Assessment Validation	100
18. Human Services Agency - Control Self-Assessment Validation	100
	1,570

Mandated/Required Audits/Projects	
1. Treasurer - Quarterly Cash Counts and Annual Audit	600
2. FY 2007-08 Internal Quality Assurance Review	120
3. Control Self-Assessment	1,140
4. Fraud Hotline	200
5. Monitoring Special Districts, Joint Powers Agreements, and Subrecipients	150
6. Compilation of Schedule of Expenditures of Federal Awards	150
	2,360

	New/Priority Audits	FY 2008-09 Planned Hours
1.	Fire Protection District - Hotline Verification 08-0037……………………………………………	140
2.	Harbor - Lease Administration………………………………………………………………………..	240
3.	Treasurer-Tax Collector - Operations Follow-Up ………………………………………………	300
4.	Public Works Agency - Change in Director………………………………………………………..	160
5.	Agricultural Commissioner - Change in Department Head……………………………………..	140
6.	Library - Cash and Inventory Management …………………………………..……………………	300
7.	Administration of Business License Revenue……………………………………………………..	300
8.	General Services Agency - Fleet Services Fuel Management………….……………………..	300
9.	Fire Protection District - Cash Collection Process Follow-Up ………………………………..	160
10.	Airports - Lease Administration Follow-Up………………………………………………………..	160
11.	Harbor - Use of Funds for Silver Strand Beach Restroom Construction ……..……………	160
12.	Sheriff - Management of City Contracts……………………………………………..……………..	300
13.	Countywide - Management of Sensitive Non-Fixed Assets……..……………………………	540
14.	Reserve for Requested Audits[5]…………………………………………………………………..	<u>790</u>
		3,990

TOTAL FY 2008-09 PLANNED HOURS <u>7,920</u>

[5] Reserve is budgeted at 10% of productive audit hours.

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.

Countywide Audits	Future Planned Hours
1. Contract Administration and Compliance	
A. Social Services Contracts	600
B. Foster/Group Home Contracts	800
C. Subrecipient Contract Monitoring	800
- Area Agency on Aging	
- County Executive Office	
- Human Services Agency	
2. Credit Card Purchases and Travel Expenditures	800
3. Cash Controls	800
- General Services Agency	
- Health Care Agency (centralized)	
4. Grant and Subvention Management	700
5. Administration of Trust Funds	300
- County Clerk and Recorder[6]	
6. Voucher Programs	500
- Behavioral Health	
- Human Services Agency	
7. Revolving Loan Program Administration	300
- County Executive Office	
- Human Services Agency	
8. Effectiveness of Human Resources Department Personnel Representatives	500
9. Capital Projects Administration	500
- Ventura County Integrated Justice Information System	
10. Internal Service Fund Charges	500
11. Year-End Spending	300
12. Accounts Receivable	500
	7,900

Information Technology Audits	
1. Business Continuity Planning	600
2. Systems Development and Procurement	500
3. Personal Computer Standards Compliance	500
4. IT Asset Disposal	500
	2,100

Performance and Compliance Audits	Future Planned Hours
1. Sheriff - Evidence Room	200
2. Franchise Fees	300
3. Treasurer-Tax Collector - Property Auction Procedures..	160
4. Management of Public Safety Overtime	200
5. Probation Agency - Work Furlough/Work Release - Flow of Funds............................	160
6. Public Defender - Client Charges	160
7. Public Works Agency - Uniform Construction Cost Accounting................................	160
8. Resources Management Agency - Environmental Health Operations	200
9. Sheriff - Food Services Procurement and Inventory Procedures...............................	200
10. Viability of Workers' Compensation and 4850 Employee Benefits............................	300
11. Fire Protection District - Staffing...	200
12. Integrated Waste Management - Administration of Recycling Programs......................	200
13. Human Services Agency - Administration of In-Home Supportive Services	300
14. Application of Special Assessments..	200
15. General Services Agency - Fleet Services Performance and Charges to Departments ...	300
16. County Counsel - Direct Billing...	120
17. Board of Supervisors - Meals and Travel Reimbursements....................................	120
18. County Executive Office - Effectiveness of Labor Relations and Risk Management	160
19. Elections - Volunteers and Polling Place Procedures	160
20. Indigent Legal Services	160
21. Health Care Agency - Ventura County Medical Center Satellite Clinics......................	200
22. County Ethics Program...	160
23. Grand Jury - Investigation Procedures and Results	160
	4,480

TOTAL FUTURE PLANNED HOURS   14,480

[6] Requested by department.