

OFFICE OF THE PERFORMANCE AUDIT DIRECTOR



2010 BUSINESS PLAN



March 2009

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SECTION I – AGENCY OVERVIEW

The Board of Supervisors (Board) established the Office of the Performance Audit Director (Office) on November 9, 2007, and after a nationwide search, the Office’s first Director was hired on January 8, 2008. This document represents the first Business Plan for the Office.

Vision

To ensure the provision of outstanding, cost-effective public services and to add significant value to the Board of Supervisors’ decision-making process.

Mission

The Office of the Performance Audit Director independently and objectively assesses the performance of County of Orange operations and programs and provides the Board of Supervisors and County Executive Management with reliable, insightful, and useful information/recommendations to make sound business decisions.

Core Services

In accomplishment of the above mission, the Office provides the following two core services:

- ❑ **Unfiltered, independent and objective performance audits of the efficiency and effectiveness of County operations and programs**

Performance audits are examinations of County programs, functions and operations to assess whether the entity is achieving efficiency and effectiveness in its use of scarce resources. The examination is objective and systematic, using structured and professionally adopted methodologies. Audits also include the identification of alternatives and recommendations for the provision of improved quality of service, and include the identification of cost savings and revenue

enhancement opportunities. Audit results are presented to stakeholders in a written report.

❑ **Advisory services for the Board of Supervisors regarding topical policy and management issues**

The Office also provides advisory services to the Board of Supervisors. These services provide recommendations on improving the County's performance, primarily through the evaluation and analysis of existing business problems. Advisory services include process improvement studies, reorganization studies, cost effectiveness assessments, cost-benefit analysis, industry best practice research, and program performance evaluations.

The provision of these core services directly supports the accomplishment of the County mission and strategic objectives, as well as its business and cultural values. The unique charter for the Office affords many valuable and positive benefits for the County:

- Significantly enhanced transparency into County operations and information
- Objective and independent analysis of County operations and programs
- Presentation of unfiltered audit findings and recommendations directly to the Board and the public
- Encouragement to County agencies/departments to proactively address performance deficiencies before being audited
- Mitigation of risks associated with current operations
- Opportunities to improve the quality of public services
- Opportunities to reduce costs for the County

SECTION II – OPERATIONAL PLAN

Environment

Clients

Board of Supervisors

The Office works for and reports directly to the Board of Supervisors. As such, Office staff are representatives of the Board and pursue work only if it is assigned by the Board. Notwithstanding our primary client, audit reports and correspondence directly benefit other important clients such as County agencies/departments and the public.

County Agencies/Departments

Performance audits are specifically designed to be of practical value to agencies/departments in improving their operations. The audit team makes a substantial effort to work collaboratively with agencies/departments to help them identify both positive operating practices and opportunities for improvement, and to help them develop workable solutions to the issues identified.

The Public

Audit reports are presented formally to the Board on the public agenda. As such, members of the public are fully informed of any and all audit findings and recommendations. In this manner, County government operations can be held to a higher level of public scrutiny and accountability.

Resources

In FY 2009/10 the Office has a \$725K budget and three employees to accomplish the Audit and Advisory Services Work Plan approved by the Board. The Board established the Office using General Fund resources and emphasized the importance of identifying cost savings and revenue enhancements.

Challenges

The Office was created as an innovation by the Board of Supervisors in order to augment the quality and quantity of decision-making information utilized in the policy making process. The Office has faced several challenges inherent to starting a new office, including hiring and retaining staff, establishing office protocols and policies, and creating a work plan. The most pressing challenge, however, pertains to resource scarcity.

When the Office was first established, it was minimally staffed to first confirm its viability and capacity to add value. Over the past two years, the Office has achieved multiple successes and become an integral tool for the Board.

However, given the current fiscal climate and the continued budget reduction measures, the Office faces the following challenges:

- Limited staffing, allowing the Office to work on only one audit at a time
- Ability to perform follow-up audits in a timely manner
- Limited funding to obtain consultant assistance on specialty audits
- Little time to devote to important internal strategic issues such as development of Strategic Financial Plan, Business Plans, and Budget documents
- Ability to achieve full compliance with voluntary federal performance auditing standards
- Any temporary or mid-term vacancy results in an immediate 33% reduction in staffing

To date, the Office has been able to adapt itself to meet the majority of these resource challenges. It should be noted, however, that any additional resources provided to the Office will result in additional savings, revenue enhancements and risk avoidance. In contrast, any reductions to the Office's already diminished resources will negatively impact production capabilities.

Action Plan

Strategic Goals

The Action Plan for the Office is guided by our mission and the following Strategic Goals:

1. Improve County operations and programs
2. Promote transparency, accountability and responsibility to the public we serve

Strategies to Accomplish Goals

The Office's strategic goals are achieved using the following strategies:

Strategy One: In collaboration with the Board, identify Performance Audit opportunities

This strategy is accomplished through (1) Board approval of a slate of audit assignments as part of a periodic work plan, and (2) Board approval of ad-hoc audit/advisory assignments:

1. Audit Work Plan
 - a. Audit Engagement Selection

In this task, each Board office and the Office initially identifies potential audit engagements.
 - b. Risk Assessment

Each proposed engagement is then evaluated using a formal risk assessment process to quantify the relative risk of each engagement across a variety of factors: financial risk, operational risk, criticality to the County, legal or compliance risk, technology risk, fraud risk, public/political sensitivity, strategic risk, and opportunities for cost savings/revenue enhancements.
 - c. Selection of Specific Engagements

The recommendation by the Office and the selection by the Board of specific audit engagements are done after careful consideration of several

variables: Risk Assessment results, timing/sequencing of engagements (i.e., budget process time frames, staffing availability, consultant resource availability, implementation schedules), size of the audit and resources needed, workload management and efficiency, CEO suggestions, and Board office input.

2. Ad-hoc Board Audit Requests

Recognizing that issues arise intermittently during the course of normal County operations, the Office developed and the Board approved a formal policy and procedure for the approval of audits not included within the initial Audit Work Plan. To date, three audits have been approved by the Board utilizing this process: the Sheriff Overtime Audit, the Health Care Agency/Correctional Medical Services Performance Audit, and the CEO/Office of Information Technology Performance Audit. Notwithstanding this ad-hoc process, many of these audits were also discussed in the initial Risk Assessment.

Slate of Approved Assignments

The Board has approved the following current and future audit/advisory assignments for the Office either through the Audit Work Plan process or the Ad-hoc Assignment process. Other than the CEO/IT Audit, all projects below will be taken up according to the timeline listed.

Assignment	Scope	Timeline
Performance Audit of CEO/IT	5 Tasks which include: (1) Document and Verify County IT Resource Allocations (2) Review CEO/IT Proposed Strategic Plan (3) Review CEO/IT Operational Readiness (4) Review Performance Metrics (5) Review communications with Board	July 2009 to April 2010
Follow-up to Sheriff Overtime Study	Follow-up on accomplishment of recommendations in October 2008 Overtime Study	April to May 2010
Follow-up to HCA/Correctional Medical Services Performance Audit	Follow-up on accomplishment of recommendations in February 2009 audit	June to July 2010
Human Resources Department Performance Audit	Performance Audit of central Human Resources Department operations	August to November 2010
CEO/Risk Management	Performance Audit of Risk Management operations	December 2010

Performance Audit		to February 2011
Follow-up to Planning & Development Services Performance Audit	Follow-up on accomplishment of recommendations in June 2009 audit	March to April 2011

Strategy Two: Collaborate with County Agencies/Departments

The purpose of Office audits is to improve County operations. The Office works diligently to achieve this goal by positive collaboration with the entities we audit. Being the recipient of a Performance Audit is a taxing process. It is therefore imperative that we work cooperatively with agencies/departments in gaining access to needed information, discussing the significance of findings, evaluating industry best practice alternatives, and working through disagreements. It is the Office’s intent to produce an audit report that doesn’t sit on the shelf, but rather can be used as a blueprint to making important changes to the operation.

Strategy Three: Hire and Retain Exemplary Staff

Office audits assess the performance of a variety of County operations. This includes a number of topical and functional areas such as health care, social services, public protection, environmental protection, financial services, and human resource services. To adequately assess performance and clearly communicate any findings to the Board and the public, the Office audit team must possess a wide variety of complementary skills in both administrative and operational disciplines. Accordingly, the Office takes great care in selecting auditors with high ethical standards, advanced skill sets in multiple areas, extensive diagnostic/analytical experience, a strategic focus, effective communication skills, the ability to provide practical solution-oriented alternatives, a public service orientation, and personal balance.

Strategy Four: Deliver Outstanding, Value-added Reports

Office reports are focused on the stewardship of public resources. The Office takes pride in its mandate to assist County agencies/departments/employees in the fulfillment of their public service responsibilities. In its reports, the Office strives to identify the heart of the matter, articulate issues simply and accurately, and provide value-added recommendations that address any audit findings. The net result is a well-written,

well-documented, understandable account of operations as they are, as well as a road map for improvement.

Performance Measures

In keeping with the Countywide Balanced Scorecard initiative, the Office will be tracking the performance measures listed below.

Financial:

PERFORMANCE MEASURE: Return on Investment	
WHAT: Value Added as a % of OPAD Annual Expenditures	
WHY: A key reason that OPAD was created was to identify opportunities for revenue enhancement and cost savings opportunities during performance audit work. Since the Office’s inception, OPAD has identified concrete “value-add” opportunities totaling more than \$5 million dollars. In addition, the types of reports completed by OPAD have historically been completed mostly by private sector consultants hired by the County. OPAD is able to complete this same work, but at a significantly reduced hourly cost. This cost savings will be identified separately, but will also be included in the “value-add” measurement. In addition, OPAD will report on any qualitative benefits from audit engagements in this section. This measure aligns with Strategy Four described in the previous section.	
FY 10-11 GOAL:	
	200% or more

Customer:

PERFORMANCE MEASURE: Reasonableness/Usefulness of Audit Findings and Recommendations	
WHAT: % of Findings/Recommendations Agreed with by the Audited Agency/Department	
WHY: An important element of the findings and recommendations made by OPAD is their reasonableness/usefulness to the agency/department that was audited. One way to measure the reasonableness/usefulness of a finding or recommendation is whether or not an agency/department agrees or disagrees. Historically, agencies/departments have agreed with the majority of the findings and recommendations included in our audit reports. This measure aligns with Strategy Two described in the previous section	
FY 10-11 GOAL:	
	80% or more agreement with audit findings and 60% or more agreement with audit recommendations.

Learning and Growth:

PERFORMANCE MEASURE: Continuing Education	
WHAT: # of Training/Education Hours per year, per employee	
WHY: As performance auditors, it is vital that each employee continue to refine his/her understanding of audit techniques, best practices, and industry standards. This commitment to enhancing the knowledge base of the Department is vital to the quality of the audit analysis and reports produced in OPAD. This measure aligns with Strategy Three described in the previous section	
FY 10-11 GOAL:	
40 hours per employee	

SECTION III – APPENDICES

Appendix A – Organization Chart



Appendix B – Significant Accomplishments

This plan is the first formal Business Plan for the Office. As such, we have listed all accomplishments over the past two years. Each of the accomplishments listed below align with one or more of the strategic goals in this 2010 plan:

- Improve County operations and programs
- Promote transparency, accountability and responsibility to the public we serve

Significant accomplishments include:

Accomplishment	Strategic Goal
<p><u>Office Establishment</u></p> <ul style="list-style-type: none"> • Managed the identification of permanent office space, its modification and construction, and occupancy within 6 months • Identification of the critical knowledge/skills/abilities for two audit positions; development of effective recruitment materials to attract quality candidates, and the hiring of highly capable staff • Development of Countywide Risk Assessment process and Audit Work Plan in collaboration with the Board • Development of Ad-hoc performance audit policy and procedure 	N/A
<p><u>DA/Sheriff DNA Issue</u></p> <ul style="list-style-type: none"> • Quick study to detail summary of issues between Sheriff and DA for Board members to use during their discussion • Study used extensively and referenced by CEO in their analysis of this issue 	<ul style="list-style-type: none"> • Promote transparency, accountability and responsibility to the public we serve
<p><u>OC Public Library Preliminary (OCPL) Financial Review</u></p> <ul style="list-style-type: none"> • Used by Supervisor Campbell and Board to address concerns of OCPL city and community stakeholders regarding financial management practices of OCPL and resource distribution within the OCPL system • Completed within 3 weeks • Presented to OCPL Commission and City of Irvine 	<ul style="list-style-type: none"> • Promote transparency, accountability and responsibility to the public we serve
<p><u>Sheriff OT Audit</u></p> <ul style="list-style-type: none"> • This was the first time that an outside group was allowed by OCSD to perform a study of this magnitude on a significant fiscal issue • Audit was helpful in building momentum for the transition to non-sworn jail staff 	<ul style="list-style-type: none"> • Improve County operations and programs • Promote transparency, accountability and responsibility to the public we serve

- At 4/8/09 Department Head meeting, upcoming negotiations discussed: moving toward many of things our audits have recommended (OT reform from “hours paid” to “hours worked,” and consideration of Tier III retirement)
- 10/20/09 Board meeting: Sheriff Hutchens discussed reductions to overtime

Ideas for 2009 Union Negotiations

- Memo provided to the Human Resources Department and Board which detailed cost saving ideas, many of which have come to fruition (e.g., “hours worked” OT reform, 3rd Tier Retirement, necessity for a greater retirement contribution from AOCDS members). Changing from an “hours paid” to an “hours worked” basis for calculating overtime has already been implemented for OCEA bargaining units and will result in substantial (millions of dollars) ongoing countywide savings
- Improve County operations and programs

HCA/Correctional Medical Services Audit

- Development of medical residency program with UCI; 4/7/09 Board hearing
- Resolution of transportation issues with inmates getting to their hospital medical appointments to reduce County liability risk
- Implementation of in-jail medical clinic. At 10/20/09 Board meeting, Assistant Sheriff James discussed the opening up of in-house jail medical clinic for Optometry and the better managing of the inmate medical population at Western Medical Center in Anaheim.
- Fuller use of existing medical information computer system (CHART)
- Report received positive media attention
- Two HCA quarterly audit implementation updates claims that audit has really helped them
- Improve County operations and programs
- Promote transparency, accountability and responsibility to the public we serve

Planning & Development Services Audit

- Led to formal Board working group to resolve issues
- Improved regulatory compliance in NPDES, Oil Well Inspections
- Improvement in culture of providing quality customer service (e.g., new leadership, new performance measures, new organizational structure)
- Redefined focus and involvement of DPRC
- Improve County operations and programs

CEO/IT Audit

- Development of scope of work with 1st and 5th District
- 10/16/09 memo to Board on issues surrounding IT Sourcing Strategy and RFP for new IT Sourcing contract. Board received
- Improve County operations and programs
- Promote transparency, accountability and

advanced, useful information to make important, strategic decisions.

responsibility to the public we serve

- 11/20/09 memo to Board outlining issues surrounding CEO/IT's desire to amend Avasant's contract on a bifurcated Voice/Data RFP
- Task I Report: establishment of first validated budget info sets (for FY 09/10), and first accumulated historical actuals for IT expenses Countywide. Report used as basis to inform decision makers of resource allocations and issues

The overall impacts of Office in addition to the significant accomplishments noted above include:

❑ Demonstrated significant value to the County in the following areas:

- Cost saving and efficiency opportunities

Sheriff Overtime Audit

- ✓ \$3 million in direct savings from implementing audit recommendations
- ✓ Confirmation of millions of dollars of savings from using Correctional Officers vs. deputies in the jails
- ✓ Cost avoidance from more precise analysis of collective bargaining proposals

Correctional Medical Audit

- ✓ Direct savings of \$2.7 million and \$790,000 of revenue enhancements
- ✓ Implementation of in-house doctor residency program in conjunction with medical schools
- ✓ Implementation of in-house medical clinics within the jails

Planning & Development Services Audit

- ✓ Increased customer service
- ✓ Advanced notification of financial solvency and operational sustainability issues

- Reduced risk by identification of high risk practices
 - ✓ Lack of overtime policies and procedures
 - ✓ Lack of contract administration and quality assurance on inmate medical care contracts
 - ✓ Inmates not being transported for medical care
 - ✓ Non-compliance with NPDES (Water Quality) inspection requirements

 - Enhanced general accountability throughout County as Board watchdog, not only directly, but through deterrence as well
-
- Maintained positive working relationship with audited agencies despite uncomfortable findings and recommendations
 - Created audit reports that are highly professional and helpful to agencies/departments, the Board, and the public.
 - We have accomplished all of the above with a staff of three people, and while absorbing all the budget cuts requested of us.

Appendix C – Critical Demographics/Service Expectations

This section includes Department core principles/policies and high-level audit procedures. More detail is included in the Office’s operational plan.

Department Core Principles/Policies

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures or defined business practices.

A successful audit is one in which audit work results in a positive impact on County of Orange operations and service delivery. Successful audits add value by causing better policy direction, better oversight, and increased efficiency, professionalism, effectiveness, or equity.

The Office of the Performance Audit Director will adhere to the following ethical principles (as delineated in Generally Accepted Government Auditing Standards):

- Public Interest: “A distinguishing mark of an auditor is acceptance of responsibility to serve the public interest.”
- Integrity: “Integrity includes auditors’ conducting their work with an attitude that is objective, fact-based, nonpartisan, and non-ideological with regard to audited entities and users of the auditors’ reports.”
- Objectivity: “Objectivity includes being independent in fact and appearance when providing audit engagements, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest.”
- Proper Use of Government Information, resources, and positions: “In the government environment, the public’s right to the transparency of government information has to be balanced with the proper use of that information...Protecting and conserving government resources and using them appropriately for authorized activities is an important element in the public’s expectation for auditors.”
- Professional Behavior: “Professional behavior includes auditors’ putting forth an honest effort in performance of their duties and professional services in accordance with the relevant technical and professional standards.”

In all matters relating to audit work, the audit organization, and the individual auditor must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence.

The Office of the Performance Audit Director shall not provide non-audit services that involve the direct performance of management functions or making management decisions.

Operational Procedures

All audits conducted by the Office of the Performance Audit Director follow the process outlined below:

