

## Ventura County: A Failure to Audit

### Summary

Each Ventura County Grand Jury invites Ventura County officials to present briefings on how his or her office operates. As a consequence of such a briefing, the 2006-2007 Ventura County Grand Jury (2006-07 Grand Jury) became concerned that the Auditor-Controller was not sufficiently involved in decisions affecting County financial and fiscal affairs. Therefore, the 2006-07 Grand Jury opened an investigation into the office of the Auditor-Controller.

This investigation found that since 2003 the Auditor-Controller's Audit Division has lost more than half of its staffing, with an almost total loss of experienced senior auditors. Repeated requests by the Auditor-Controller and recommendations by prior Grand Juries for an enhanced staffing level were denied by the Board of Supervisors (BOS) and the County Executive Officer (CEO). Instead, the BOS suggested that each agency be responsible for its own internal controls. The Auditor-Controller developed a Departmental Internal Control Self-Assessment Program for the county agencies to evaluate themselves. However, resources within the Audit Division were inadequate to review and evaluate the results. Not all County agencies complied with the request from the Auditor-Controller to participate in this program. Among those not complying was the Treasurer-Tax Collector, where a breakdown in internal controls contributed to embezzlement from the Treasurer-Tax Collector's Public Guardian's Office.

The 2006-07 Grand Jury concluded that the appointed CEO exercises significant control over elected County officials through the County budget process. It was further concluded that financial decisions are made by the BOS without sufficient review by the Auditor-Controller. The Treasurer-Tax Collector had primary responsibility for the breakdown of internal controls in the Public Guardian's Office. However, the resulting embezzlement might have been avoided or at least detected earlier if the BOS had appropriated sufficient resources to allow the Auditor-Controller's Audit Division to conduct regular and thorough audits. A general transfer of authority over the County's financial and fiscal affairs to the CEO with a reduction in the effectiveness of the Auditor-Controller's audit function has weakened the checks and balances needed to ensure public confidence in County government.

The 2006-07 Grand Jury recommends that the BOS adopt an ordinance to strengthen the Auditor-Controller's audit function through the creation of an Audit Committee, which is independent of the CEO and reports directly to the BOS. The BOS must budget sufficient funds to provide the Audit Division with adequate, experienced staff. The BOS should require that all fiscal and financial issues presented for its action include a written opinion from the Auditor-Controller.

## Background

The Ventura County Auditor-Controller is an elected official whose responsibilities include processing the County's payroll and accounts payable (Controller functions) and auditing other County agencies (Auditor functions). The County Executive Officer is the chief employee of the County, reporting directly to the Board of Supervisors and having management authority over all County agencies not headed by elected officials.

## Methodology

The 2006-07 Grand Jury interviewed elected and appointed Ventura County officials and employees of various County agencies. The Grand Jury reviewed California codes, County ordinances, the County budget for the current fiscal year (2006-2007), and County budgets for prior fiscal years. The Grand Jury reviewed reports from previous Grand Juries and the responses to those reports submitted by County officials. The Grand Jury reviewed documents presenting professional standards for the conduct of local government fiscal affairs.

## Findings

### General

- F-01.** The Ventura County Auditor-Controller is an elected official who is required to meet the qualifications for the position of Auditor described in California Government Code §26945.
- F-02.** The Auditor-Controller is the County of Ventura's Chief Financial Officer and maintains all basic financial information, analyzes accounting reports, and makes appropriate recommendations to the Board of Supervisors (BOS) and County agencies relating to the County's financial condition.
- F-03.** The Auditor-Controller is responsible for financial compliance and operational audits of County agencies, public authorities, and dependent districts.

### County Governance

- F-04.** The BOS is the governing body of Ventura County. The Board has the authority to adopt ordinances and make appropriations. The final budgets of agencies under both elected and appointed County officials are approved by the BOS.
- F-05.** County Ordinance No. 4235 (CEO Ordinance) was adopted by the BOS on May 22, 2001, less than two months after the current County Executive Officer (CEO) was hired, to redefine that position and to re-title it from County Administrative Officer to County Executive Officer.
- F-06.** The CEO Ordinance reflected a change in the role of the County's chief employee from an administrator to an executive.

- F-07.** The CEO Ordinance changed budgeting responsibility from the Auditor-Controller to the CEO. This consolidated budgeting and finance under one office.
- F-08.** The CEO Ordinance states, "All departmental requests for Board action shall be through the CEO. Board members are encouraged to seek both CEO and County Counsel review of proposed items."
- F-09.** The CEO Ordinance established specific duties and responsibilities of the CEO including, "The CEO shall, in cooperation with the Auditor- Controller, supervise, direct, review, and maintain an adequate internal auditing system."
- F-10.** Supervisors rely on the CEO and his staff for recommendations on financial management issues.
- F-11.** The CEO and the Chairman of the BOS set the time allocations for the BOS discussion of agenda items.
- F-12.** The Auditor-Controller is often involved late or not involved at all in reviewing issues being decided by the BOS that affect the fiscal health of the County.
- F-13.** The Auditor-Controller is rarely asked by the BOS for an opinion on issues that affect the fiscal health of the County.

#### County Budget

- F-14.** Budgeting was transferred from the Auditor-Controller to the CEO because state law requires that the BOS be responsible for the budget. The Auditor-Controller is independently elected and does not report to the BOS.
- F-15.** The office of the CEO recommends proposed (target) budgets, including the budget for the Auditor-Controller.
- F-16.** Agencies requesting budgets greater than the CEO's target budget, including agencies headed by an elected official, must justify their requested increase to the CEO before the overall target budget is submitted to the BOS.
- F-17.** Requests for supplemental funding for budgets not included in the target budget document are presented to the BOS without support or recommendation from the CEO. The BOS rarely approves a supplemental budget request.
- F-18.** The Auditor-Controller has asked for additional audit staff during the past six years. The appeals to the BOS have been denied, as have requests by other County agencies for additional funding.
- F-19.** In the past five years, the office of the Chief Deputy Executive Officer has grown from two employees to approximately 12, with eight analysts reporting directly to the Chief Deputy. Those reporting directly all earn approximately \$100,000 per year.

Audit Division

- F-20.** Government Code §26884 states, "In the event the BOS elects to require that the county Auditor-Controller perform the additional services [audit] authorized by this chapter it shall have the power and it shall be its duty to provide the proper appropriations for any additional personnel, equipment, supplies or expenses made necessary thereby."
- F-21.** The current (March 1, 2007) audit staff consists of two auditors: one with CPA certification and one with a BS degree in accounting. The entry level salary is \$38,000 per year.
- F-22.** The Audit Division is budgeted for two Auditor III positions at \$50,000 each and two Auditor IV positions at \$70,000 each.
- F-23.** Current senior level auditor compensation levels are not sufficient to attract and/or retain experienced senior level auditor staff. During 2006, the Audit Division hired three entry-level Auditor I employees at \$38,000 each because experienced Auditor III and Auditor IV auditors could not be recruited.
- F-24.** The audit staff in 2003 consisted of seven people: four CPAs (two of whom had Master's degrees), two certified internal auditors, and one certified fraud examiner.
- F-25.** The audit staff in 1991 consisted of ten auditors.
- F-26.** The Audit Division frequently has open positions which it is unable to fill. The only recruitment advertisement is that which is posted on the County Web site.
- F-27.** With the exception of the Chief Deputy Auditor-Controller, all current audit staff has been employed by the County for one year or less.
- F-28.** The audit staff has been weakened due to turnover of experienced auditors seeking career advancement.
- F-29.** The Audit Plan for 1990-91 for the County of Ventura provided 14,147 direct time audit hours with mostly experienced auditors.
- F-30.** The Audit Plan for 2006-07 for the County of Ventura provided 5,760 hours with mostly inexperienced auditors.
- F-31.** The Audit Division is understaffed in numbers and qualifications. With the exception of mandated audits, only cursory other audit activities are being accomplished.
- F-32.** County entities with revenues from fees charged to the public for services rendered are termed "enterprise fund" organizations. Such organizations are not currently being audited except for audits mandated by state and federal laws. For example,
- The Department of Airports has not had a comprehensive financial audit since 1989.

- No record can be found of the last comprehensive financial audit of the Harbor Department.
- F-33.** In order to accomplish tri-annual audits of all 26 agencies in the County of Ventura, additional experienced auditors are needed.
- F-34.** In the 2001-2002 budget approved by the BOS, three positions were transferred from the Auditor-Controller's Office to the CEO in order to strengthen the County's financial management. This resulted in a decrease of three auditors in the Audit Division.
- F-35.** A supplemental budget request in the amount of \$155,000 by the Auditor-Controller to fund replacing those three positions in the Audit Division was not recommended by the CEO and was subsequently denied by the BOS. The Auditor-Controller informed the BOS that this lack of funding would delay the full implementation of the enhanced audit program by leaving audit positions vacant.

#### Prior Grand Jury Reports

- F-36.** In the Auditor-Controller's August 14, 2002, response to the report "The Public Administrator and Public Guardian as Conservator" of the 2001-2002 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "Because of limited audit resources, audits of the PA/PG must compete with other audit requirements and priorities."
- F-37.** In the Auditor-Controller's July 17, 2003, response to the report "Independent Auditing within Ventura County Government" of the 2002-2003 Ventura County Grand Jury (2002-03 Grand Jury), which was sent to the BOS and the CEO, the Auditor-Controller stated, "... the internal audit function with the Auditor-Controller's Office should be strengthened, particularly in light of difficult financial circumstances." The Auditor-Controller also stated, "We believe the Board of Supervisors is aware of the importance of internal audits for the Auditor-Controller."
- F-38.** The Auditor-Controller agreed with 2002-03 Grand Jury recommendation R-3 that the BOS take active responsibility for internal audit resources, including annual budget, staffing size, salaries, and position classification.
- F-39.** The BOS responded to recommendation R-3 in the 2002-03 Grand Jury report by suggesting that individual departments deal with the issue of internal audits through reorganization and the reallocation of resources.
- F-40.** In the Auditor-Controller's May 12, 2004, response to the report "Anatomy of an Audit" of the 2003-2004 Ventura County Grand Jury, which was sent to the BOS and the CEO, the Auditor-Controller stated, "We do not have sufficient audit resources to establish a meaningful audit program for the County."

**Internal Control Self-Assessment Program**

- F-41.** Government Code §26881 states, "...Auditor-Controller shall prescribe, and shall exercise general supervision, including the ability to review departmental and countywide internal controls."
- F-42.** Auditing, whether contracted through independent CPA firms or performed by the Audit Division, is one of the means used by the Office of the Auditor-Controller to fulfill its statutory responsibilities.
- F-43.** Under government auditing standards, department management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations.
- F-44.** The tri-annual Departmental Internal Control Self-Assessment Program was initiated by the Auditor-Controller and the CEO in February 2004. Under this plan, every department is responsible for reviewing its internal controls, determining risk areas within its operations, and strengthening its internal control structure.
- F-45.** The initial efforts of the Internal Control Self-Assessment Program were developed to assist departments to perform the review. Thereafter, the Audit Division would periodically assess each department's implementation of the Self-Assessment Program and recommend necessary corrective actions.
- F-46.** Not all county agencies completed the questionnaires and returned them to the Auditor-Controller as required by the Departmental Internal Control Self-Assessment Program. Among those not in compliance was the office of Treasurer-Tax Collector.
- F-47.** As a result of staff reductions in the Audit Division, no follow-up or review of the Internal Control Self-Assessment Questionnaires has been done.
- F-48.** While all departments have been directed to report to the Auditor-Controller when weaknesses in internal controls are found, compliance is inconsistent.

**A Breakdown of Internal Controls**

- F-49.** In 2005, embezzlement was discovered in the Public Guardian's Office, resulting in part from a breakdown in that office's internal controls.
- F-50.** The Auditor-Controller was not involved in detecting or correcting the breakdown in internal controls in the Public Guardian's Office.
- F-51.** A criminal investigation of embezzlement within the Public Guardian's Office and indictments of those accused in those crimes cost Ventura County over \$628,000 through the end of November 2006.
- F-52.** Restitution to four victims of embezzlement in the Public Guardian's Office cost Ventura County more than \$81,000, plus an additional amount still under negotiation with a fifth victim. Continuing investigation may uncover additional victims.

**F-53.** The County has contracted for an outside audit of the Public Guardian's Office at a cost of \$56,750, with an option to expand that audit to include the entire Office of the Treasurer-Tax Collector.

Independent CPA Firms

**F-54.** California statutes provide that the Auditor-Controller has the authority and responsibility for the County's audit program.

**F-55.** The Auditor-Controller hires an independent Certified Public Accounting (CPA) firm each year to perform a financial statement audit and express an opinion on those financial statements.

**F-56.** The independent auditor does not evaluate or express an opinion on the effectiveness of the County's internal controls.

**F-57.** The Auditor-Controller has changed audit firms three times in the past three years.

- KPMG performed the fiscal year 2003-2004 audit.
- Macias Gina performed the fiscal year 2004-2005 audit.
- Vavrine, Trine, Day performed the fiscal year 2005-2006 audit.

Each of these firms was paid approximately \$150,000 for their services.

**F-58.** Changes in financial audit firms were due to pricing, failure to provide services per contract, and quality of services.

**F-59.** The CEO allocates funds to selected departments for independent management audits (e.g., review of internal controls, evaluation of department procedures and processes). Departments receiving such budget allocations are not required to notify the CEO if their audits do not exceed \$10,000.

**F-60.** The Auditor-Controller is not included in the decision to hire management auditors, setting the scope of the audits, or informed as to the results of the work.

**F-61.** Department heads are routinely notified that the Auditor-Controller should be involved in scheduling outside audits and participating in audit exit interviews.

Audit Committee

**F-62.** In 1997 and again in 2002, the Government Finance Officers Association (GFOA) recommended that every governmental entity should establish an audit committee or its equivalent. [Ref-01]

**F-63.** The auditor of a state or local government's financial statements must be independent, both in fact and in appearance. A properly constituted audit committee helps to enhance the financial statement auditor's real and perceived independence by providing a direct link between the auditor and the governing board. [Ref-01]

- F-64.** One role of an audit committee is to facilitate communication between management, the auditors, and the governing board.
- F-65.** The GFOA recommends the use of an audit committee to limit the reliance of governing bodies on the technical expertise of the independent auditor.
- F-66.** According to the GFOA, an audit committee is also useful in helping to focus and document the government's process for managing the financial statement audit.
- F-67.** The BOS approved a resolution on March 15, 1983, to create an Audit Advisory Committee. This action was prompted by Recommendation #1 in the report "Auditor-Controller" of the 1981-1982 Ventura County Grand Jury.
- F-68.** An Audit Advisory Committee of seven members — including a County Supervisor — was appointed in accord with the BOS resolution. However, the Audit Advisory Committee was never able to obtain a quorum for conducting a meeting and subsequently ceased to exist. In the Auditor-Controller's response to the 2002-03 Grand Jury report, the BOS was informed that the Audit Advisory Committee no longer existed.
- F-69.** The CEO is tasked by the CEO Ordinance to track BOS directives and to monitor their implementation.
- F-70.** The 2002-03 Grand Jury report "Independent Auditing within Ventura County Government" recommended that the BOS establish an oversight mechanism such as an independent audit committee.

*R-1. In order to insure that the County meets the newer standards for independent audit the Board of Supervisors establish an effective oversight mechanism to insure adequate audit resources and independence.*

*R-2. The Grand Jury recommends the establishment of an Audit Oversight Committee reporting to the Board of Supervisors. This committee would be charged with responsibility for oversight of internal controls and independent audits within the County. It would be composed of a Chair, a Co-Chair, The Chief Executive Officer, the Auditor-Controller, the Treasurer-Tax collector as a non-voting member, and one outside member from the private sector appointed by the Board of Supervisors. The Purpose of this committee would be:*

- A. Oversee the establishment and maintenance of the County's internal control structure.*
- B. Oversee the quality of financial reporting activities.*
- C. Oversee and monitor County compliance with internal controls, pertinent laws, regulations and standards.*

*D. Oversee the resources allocated to the internal control and internal audit functions.*

*E. Receive regular briefings from the internal audit staff on all planned and inprocess audits.*

*F. Study the Orange County paradigm to internal audits with a view to avoiding potential audit weaknesses.*

*G. Review the possibility of separation of the duties of Auditor-Controller. The Auditor responsibilities would return to its elected status while the Controller responsibility would report to the CEO.*

- F-71.** The responses from the BOS, CEO, and Auditor-Controller to recommendations R-1 and R-2 in the 2002-03 Grand Jury report were generally positive.
- F-72.** The Auditor-Controller agreed to coordinate with the BOS and the CEO to determine the best course of action in the establishment of an Audit Oversight Committee by September 30, 2003.
- F-73.** Action to create an Audit Oversight Committee was never taken.

## Conclusions

- C-01.** By State law, the Auditor-Controller, an elected official, is charged with responsibilities normally associated with those of a chief financial officer. The independence and effectiveness of the Auditor-Controller to perform essential elements of its statutory requirements, including operational audits for the County of Ventura, have been negatively impacted over the past six years. (F-01, F-02, F-03, F-09, F-40, F-54)
- C-02.** Beginning with the adoption of County Ordinance No. 4235 (CEO Ordinance), the Auditor-Controller's audit function has been compromised by reduced audit staff, reduced budgeted salaries, and potentially insufficient budget for engaging outside auditors. (F-05, F-07, F-18, F-21, F-23, F-24, F-27, F-31, F-34)
- C-03.** As an elected official, the Auditor-Controller reports directly to the voters. However, the appointed CEO exercises control over elected officials through the budget process. (F-04, F-07, F-08, F-10, F-12, F-13)
- C-04.** The Auditor-Controller's advice is seldom requested by the BOS on fiscal, budget, or audit issues. As a result of not being included in these important issues, the Auditor-Controller's fiduciary responsibility to the electorate could be compromised. (F-07, F-10, F-12, F-13, F-17, F-60)
- C-05.** The BOS and the CEO have not taken seriously the recommendations of the Government Finance Officers Association and prior Ventura County Grand Jury reports regarding the importance and benefits of a properly constituted audit committee. (F-31, F-37 through F-40, F-59, F-60, F-62, F-67, F-68, F-70, F-72, F-73)

- C-06.** The Auditor-Controller has not been involved in, and is not aware of, “audits” performed by staff in various county departments. Reviews of books and records by departmental staff may yield some interesting information for management purposes. However, they are not independent, and they should not be construed as audits. (F-54, F-59, F-60, F-61)
- C-07.** A breakdown of internal controls in the Public Guardian’s Office was not detected because budget cuts compromised the Auditor-Controller’s ability to audit that office. Resulting embezzlement has cost the County more than \$765,000 in restitution to victims, investigation of crimes, and a subsequent audit by an outside firm, with unknown additional future costs. (F-46 through F-53)
- C-08.** The CEO makes all the important decisions for the County, subject to ratification by the BOS. (F-05, F-06, F-17, F-18)
- C-09.** The elected Treasurer-Tax Collector is the appointed Public Guardian for Ventura County. Thus, the Treasurer-Tax Collector bears the primary responsibility for embezzlement within the Public Guardian’s Office. The Treasurer-Tax Collector neglected to supervise that office, failed to implement recommendations of the 2001-2002 Grand Jury, and did not comply with the Auditor-Controller’s Internal Control Self-Assessment Program. However, responsibility for this embezzlement additionally falls on other County officials:
- The CEO failed to comply with the CEO Ordinance by not budgeting sufficient resources to maintain an effective audit program within the Audit Division, relying instead on each department to audit itself.
  - The BOS failed to ensure that the CEO was in compliance with the CEO Ordinance. The BOS ignored repeated requests from the Auditor-Controller for resources needed to audit internal controls of all County agencies and their departments. The BOS failed to heed prior Grand Jury concerns about the Public Guardian’s Office and the Audit Division and failed to implement recommendations based on those concerns.
  - The Auditor-Controller’s requests for resources lacked sufficient justification and urgency to convince the BOS to override objections by the CEO.
- (F-09, F-10, F-13, F-16, F-17, F-18, F-23, F-31, F-34 through F-40, F-44, F-46, F-47, F-49)
- C-10.** Each County agency is responsible for developing and implementing its own internal controls, with little or no external oversight into the effectiveness of those controls and whether there is compliance. This lack of external oversight creates risk of further losses for the County. (F-33, F-34, F-35, F-44, F-46, F-47, F-48)

- C-11.** In addition to financial losses, the County has exposed itself to loss from ineffective procedures and practices as a consequence of significantly reduced auditing capability. (F-35, F-36, F-38, F-51)
- C-12.** A properly constituted audit committee would enhance the independence of and provide a direct communication link between the Auditor-Controller and the BOS. An audit committee would also reduce the dependence of the BOS upon the technical expertise provided by the CEO. (F-08, F-09, F-10, F-13, F-18, F-63, F-64, F-65)
- C-13.** The CEO has control of the agendas for BOS meetings, determining what issues will be presented for action. Effectively, elected officials must defer to the appointed CEO when they want BOS actions. (F-06, F-08, F-11)
- C-14.** The CEO has failed to comply with the provision in the CEO Ordinance that mandates maintenance of "... an adequate internal auditing system." Budgets for the Auditor-Controller developed by the CEO have left the Audit Division understaffed and with primarily junior-level personnel. As a consequence of denying appeals from the Auditor-Controller for additional resources, the BOS accepts this violation of its CEO Ordinance and is thus responsible for the consequences of an ineffective audit program. The Auditor-Controller must share in that responsibility by not presenting a sufficiently forceful argument to the BOS to override the CEO's recommended budget for the Auditor-Controller. (F-09, F-10, F-13, F-15, F-16, F-18, F-21, F-23, F-27, F-31, F-34, F-35)
- C-15.** The Auditor-Controller established a tri-annual Internal Control Self-Assessment Program, which the CEO and BOS endorsed. The head of each agency was required to ensure that its departments complete a detailed questionnaire to identify weaknesses in their internal controls. The Audit Division was responsible for reviewing the questionnaires to determine completeness, noting problem areas, assisting agencies with developing corrective procedures, and performing audits to ensure implementation of procedures. This program proved inadequate to ensure that the internal controls in the various County agencies were enforced. Not all agencies responded to the questionnaire. Audit Division staff is not adequate to review the questionnaires and follow up on their findings. (F-44, F-46, F-47, F-48)
- C-16.** The BOS and CEO have ignored repeated warnings by the Auditor-Controller regarding the weakening of the Audit Division. The Audit Division's inability to "... establish a meaningful audit program for the County ..." contributed to an environment where theft and embezzlement in the Public Guardian's Office were made possible. (F-21, F-23, F-27, F-29, F-30, F-31, F-34, F-36 through F-40)
- C-17.** The CEO Ordinance has concentrated the County's fiscal and financial operations in the CEO's Office. Inadequate budget resources in the Auditor-Controller's Audit Division have reduced that organization's ability to provide an effective County audit function. A key consequence is the dilution of the checks and balances needed in government to ensure the

integrity of its operations. This potentially impacts public confidence in County government. (F-07, F-14 through F-18, F-21, F-23, F-24, F-25, F-27, F-31, F-33, F-48, F-60)

## Recommendations

- R-01.** The Grand Jury urges the BOS to establish an independent Ventura County Audit Committee by ordinance, using guidelines provided by the Government Finance Officers Association (GFOA, Ref-01). Because many of the County agencies that would be audited report to the CEO, the CEO should not recruit or recommend members for the Audit Committee in order to ensure the integrity of the audit process and the independence of the Committee. Although the function of the Audit Committee is to support the efforts of the Auditor-Controller and work cooperatively with that office, independence of the Audit Committee also requires that its members not be recruited or recommended by the Auditor-Controller. (C-01, C-05, C-12, C-17)
- R-02.** County Ordinance No. 4235 (the CEO Ordinance) should be amended in §7.3 to make clear that the CEO must place any item presented by an elected Ventura County official on the BOS agenda. (C-08, C-13)
- R-03.** The BOS and the Auditor-Controller should ensure that the CEO complies with the CEO Ordinance with regard to the audit function (§6.a.5). This compliance should be reviewed annually by the BOS as part of the CEO's performance review. (C-02, C-14, C-17)
- R-04.** The BOS and CEO should develop an ongoing process to monitor how County agencies implement Grand Jury recommendations with which they agree. This process should ensure that each affected agency named in the report be made aware of actions other affected agencies are taking, including agencies headed by elected officials. The CEO should present semi-annual reports to the BOS and the Grand Jury on progress toward implementing those agreed-upon recommendations. This recommendation applies to all present and future Grand Jury reports that address County agencies and operations. (C-09)
- R-05.** The Auditor-Controller should issue semi-annual reports on the Internal Control Self-Assessment Program to both the BOS and the Audit Committee on compliance, potential weaknesses in internal controls, and recommended corrective actions. The BOS must budget sufficient resources to make this Program effective. (C-01, C-07, C-09, C-10, C-11, C-15, C-16)
- R-06.** The BOS should adopt an ordinance requiring the Auditor-Controller's signature on any contract between a County agency and an independent, outside CPA or management firm for any management, operational, financial, or internal control audit or review of a department within that agency. Such contracts must require that the Auditor-Controller receive any interim and final reports issued to the contracting agency by the outside firm. (C-04, C-06)

- R-07.** The BOS should not act on any fiscal or financial issue without first obtaining and acknowledging a written opinion from the Auditor-Controller. This includes, but is not limited to, actions on personnel issues (staffing levels, compensation, and benefits), budgets (including revisions to budgets already adopted), and debt financing. (C-01, C-04, C-17)
- R-08.** The BOS must provide sufficient budgeted resources to the Auditor-Controller to audit each County agency at least once every three years. The BOS must also direct each County organization operating as an enterprise fund to budget sufficient funds to pay the Auditor-Controller to audit them annually. (C-02, C-07, C-09, C-10, C-11, C-14 through C-17)

## **Responses**

### Responses Required From:

Board of Supervisors (R-01, R-02, R-03, R-04, R-06, R-07, R-08)

Auditor-Controller (R-03, R-05, R-07)

### Responses Requested From:

County Executive Officer (R-04)

## **References**

- Ref-01.** *Recommended Practice, Establishment of Audit Committees*; Government Finance Officers Association; October 25, 2002; see <<http://www.gfoa.org/services/rp/caafr-establishment-audit-committee.pdf>>

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