# INTERNAL AUDIT DEPARTMENT

## COUNTY OF ORANGE

**2005 Recipient of the Institute of Internal Auditors Award for Recognition of Commitment to Professional Excellence, Quality and Outreach**

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# PERFORMANCE MEASURE VALIDATION LIMITED AUDIT OF HOUSING & COMMUNITY SERVICES 2005 PERFORMANCE INDICATORS

**AUDIT NUMBER: 2661** **REPORT DATE: APRIL 17, 2007**


**Audit Director:** Peter Hughes, Ph.D., CPA
**Deputy Director:** Eli Littner, CPA, CIA
**Senior Audit Manager:** Alan Marcum, MBA, CPA, CIA
**Senior Auditor:** Susan Nestor, CPA, CIA

**PERFORMANCE MEASURE VALIDATION**
**LIMITED AUDIT OF HOUSING & COMMUNITY SERVICES**
**2005 PERFORMANCE INDICATORS**

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SENIOR AUDIT MANAGER

## Transmittal Letter

Audit No. 2661

April 17, 2007

TO: Paula Burrier-Lund, Director
Housing & Community Services

FROM: Peter Hughes, Ph.D., CPA, Director
Internal Audit Department

SUBJECT: Performance Measure Validation

We have completed our Limited Audit of Housing & Community Services' Performance Indicators for the 2005 Results included in the 2006 Business Plan. The final Internal Auditor's Report is attached along with your responses to our recommendations.

In developing our PMV audit process we benchmarked with Maricopa County, Arizona Internal Audit Department's Performance Measure Certification program. Maricopa County has been conducting their certification program for over five years and has received several awards and has been referred to as the "gold standard" of performance measurement auditing by the Government Accounting Standards Board (GASB). Our approach closely mirrors the award winning approach developed by the Maricopa County Internal Audit Department.

**Please note**, beginning in January 2005, we implemented a more structured and rigorous Follow-Up Audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our first Follow-Up Audit will now begin no later than six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second Follow-Up Audit will now begin at 12 months from the release of the original report, by which time all audit recommendations are expected to be addressed and implemented. However, we will not perform our follow-up until the next Business Plan cycle.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We will provide a Follow-Up Audit Report Form to you; this template should be completed as our audit recommendations are implemented. When we perform our Follow-Up Audit by the next Business Plan cycle, we will need to obtain the completed document to facilitate our review.



*The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.*

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with Housing & Community Services management and staff so they can successfully implement or mitigate difficult audit recommendations. The Housing & Community Services Director is free to call me should she wish to discuss any aspect of our audit report or recommendations.

Additionally, we will be forwarding to the Housing & Community Services a Customer Survey of Audit Services for completion. The Housing & Community Services will receive the survey shortly after the distribution of this report. We appreciate the courtesy and cooperation of the Housing & Community Services staff during our review.

Attachment

Other recipients of this report:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
William Mahoney, Deputy CEO, Government and Public Services
Julia Bidwell, Deputy Director, HCS
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

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# INTERNAL AUDITOR'S REPORT

Audit No. 2661

April 17, 2007

TO: Paula Burrier-Lund, Director
Housing & Community Services

SUBJECT: Performance Measure Validation

We have completed our Limited Audit of Housing & Community Services' Performance Indicators for the 2005 Results included in the 2006 Business Plan. Our audit included obtaining an understanding of the methodology in place for collecting and reporting Outcome Indicator Results by interviewing key personnel, observations, and reviewing source documentation. Our audit scope did not include an assessment of the appropriateness of your Outcome Indicators based on your mission, goals and objectives.

We have initiated our PMV audits at the request of the Audit Oversight Committee. Our approach is to review performance measure results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, the County Executive Officer, and you and other stakeholders that reported Outcome Indicators are reliable and can be utilized in decision making covering Government resources with confidence.

In developing our PMV audit process we benchmarked with Maricopa County, Arizona Internal Audit Department's Performance Measure Certification program. Maricopa County has been conducting their certification program for over five years and has received several awards and has been referred to as the "gold standard" of performance measurement auditing by the Government Accounting Standards Board (GASB). Our approach closely mirrors the award winning approach developed by the Maricopa County Internal Audit Department.

We conducted our audit in accordance with the Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.



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For each Outcome Indicator tested, we reported the results using one of the three Rating Definitions shown below.

| Rating Definitions | | |
|---|---|---|
| **5 Star** | ★★★★★ | We found adequate supporting documentation. |
| **4 Star** | ★★★★ | We found adequate supporting documentation with some recommendations for improvement. |
| **3 Star** | ★★★ | We noted opportunities for improvement. |

Based on our audit of the 2005 Results reported in your 2006 Business Plan, we rated 69 percent of your reported Outcome Indicator Results as 5 Star. We tested thirteen (13) Outcome Indicator Results and rated nine (9) as 5 Star, three (3) as 4 Star and one (1) as 3 star. On page 3 we have provided a table (Summary Table – Validation Results) that lists for each Outcome Indicator, the reported results, and our rating of the accuracy of the Registrar of Voters results. For the Outcome Indicator Results that were rated a 4 Star and 3 Star, we have provided detail of these, along with recommendations for enhancements over the gathering and reporting of the Outcome Indicator Results in the Findings, Recommendations and Management Responses section of this report.

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of the Housing & Community Services Agency. If we can be of further assistance, please contact me or Eli Littner, Deputy Director at (714) 834-5899 or Alan Marcum, Senior Audit Manager, at (714) 834-4119.

Respectfully Submitted,

Peter Hughes, Ph.D., CPA
Director, Internal Audit

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:
Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
William Mahoney, Interim Deputy CEO, Government and Public Services
Julia Bidwell, Deputy Director, HCS
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

# SUMMARY TABLE – VALIDATION RESULTS

| Housing & Community Services 2005 Results Stated | | Internal Audit Validation | | |
|---|---|---|---|---|
| **Performance Indicators** | **Results** | (Highest Rating Possible) **5 Star** ★★★★★ | **4 Star** ★★★★ | **3 Star** ★★★ |
| 1. The Office on Aging will survey contracted service providers to determine customer satisfaction levels and a baseline for customer service satisfaction. This survey will coincide with newly established quarterly meetings with each provider, with hopes of improving communication and dialogue. *(HCS 2005 Business Plan, p.13)* | Quarterly service provider meetings were begun. Service provider surveys were sent to 19 providers; 10 responded. *(HCS 2006 Business Plan, p.13)* | ✓ | | |
| 2. Customer satisfaction with Office on Aging Information & Assistance services will be evaluated through the implementation of a quality assurance mailer sent to I&A customers. The measure of success will be an aggregate score of at least a 3.5 on a scale of 1-5 for each I&A staff member. *(HCS 2005 Business Plan, p.13)* | Three hundred ninety (390) customer service satisfaction phone calls were place in FY 2004-05. With a goal for FY 04-05 to have aggregate responses above 4 (scale of 1 to 5, with 5 being the best), the actual aggregate was 4.7. *(HCS 2006 Business Plan, p.14)* | ✓ | | |
| 3. Workforce demand and supply gap analysis comparing the number of Orange County job seekers with jobs available during the same time period. *(HCS 2005 Business Plan, p.16)* | According to the Sate of California Employment Development Department, Labor Market Information Division, data for FY 04-05 indicates that Orange County's Annual Labor Force was 1,586,500; while the total number of jobs that were available was only 1,495,800. This leaves approximately 90,700 individuals who were part of the labor force but who did not have access to jobs in Orange County. *(HCS 2006 Business Plan, p.17)* | ✓ | | |

# SUMMARY TABLE – VALIDATION RESULTS

| Housing & Community Services 2005 Results Stated | | Internal Audit Validation | | |
|---|---|---|---|---|
| **Performance Indicators** | **Results** | (Highest Rating Possible) **5 Star** ★★★★★ | **4 Star** ★★★★ | **3 Star** ★★★ |
| 4. Percent of clients placed and retained in jobs. *(HCS 2005 Business Plan, p.17)* | Placed in jobs – 87%. Retained in jobs – 93% *(HCS 2006 Business Plan, p.17)* | | ✓ Finding #1 (on pg 7) | |
| 5. File 2,400 veterans benefit claims for disability and other federal and state benefits. *(HCS 2005 Business Plan, p.19)* | 2,245 claims filed *(HCS 2006 Business Plan, p.20)* | | ✓ Finding #2 (on pg 7) | |
| 6. Achieve $6,000,000 in new and improved veterans' benefit awards for disability and other federal and state benefits. *(HCS 2005 Business Plan, p.13)* | 6,083,461 *(HCS 2006 Business Plan, p.14)* | ✓ | | |
| 7. The number of hate crime incidents per 100,000 residents in Orange County. *(HCS 2005 Business Plan, p.20)* | Hate crimes and incidents increased about 20% in 2004 to about 5 per 100,000 population. *(HCS 2006 Business Plan, p.20)* | ✓ | | |
| 8. The percent of school principals rating OCHRC's BRIDGES Program on their campus as "Among the most useful" or "Useful". *(HCS 2005 Business Plan, p.22)* | 86% of the principals rated OC Human Relations' BRIDGES Program as Among the most useful" or "Useful" in a year-end survey conducted at 22 schools. *(HCS 2006 Business Plan, p.23)* | ✓ | | |

# SUMMARY TABLE – VALIDATION RESULTS

| Housing & Community Services 2005 Results Stated | | Internal Audit Validation | | |
|---|---|---|---|---|
| **Performance Indicators** | **Results** | (Highest Rating Possible) **5 Star** ★★★★★ | **4 Star** ★★★★ | **3 Star** ★★★ |
| 9. The percent of cases referred for mediation that result in successful resolution of the conflict. *(HCS 2005 Business Plan, p.23)* | 75% of cases resulted in successful resolution. *(HCS 2006 Business Plan, p.24)* | ✓ | | |
| 10. The percentage decrease in the number of affordable housing opportunities "needed" is identified by the Regional Housing Needs Assessment (RHNA) for very low-income households. HCS defines opportunities as including newly created affordable housing units, preservation of existing affordable housing, and additional housing vouchers awarded to OCHA. *(HCS 2005 Business Plan, p.26)* | HCS closed six multifamily housing loans, totaling over $4.6 million.<br><br>Attended the grand opening for Fountain Valley Senior Apartments (156 units) and Stanton Accessible Apartments (10 units)<br><br>Issued a new NOFA for $5 million. The NOFA was extended to June 2005 and was successful in receiving four applications requesting a total of $6,265,201.<br><br>HCS was awarded a $1 million CalHome grant.<br><br>Successfully appealed a retroactive HUD funding methodology, which had resulted in fund losses, to restore $1.48 million in funding. *(HCS 2006 Business Plan, p.26)* | | ✓<br>Finding #3<br>(on pg 8) | |

# SUMMARY TABLE – VALIDATION RESULTS

| Housing & Community Services 2005 Results Stated | | Internal Audit Validation | | |
|---|---|---|---|---|
| **Performance Indicators** | **Results** | (Highest Rating Possible) **5 Star** ★★★★★ | **4 Star** ★★★★ | **3 Star** ★★★ |
| 11. Level of individual and community satisfaction with their neighborhood improvement resulting from communication and rehabilitation efforts of the County. Results will be measured through exit interviews with individual rehabilitation clients and a general survey of residents within defined project areas at each community meeting for one year after receiving a public works improvement. *(HCS 2005 Business Plan, p.29)* | HCS completed rehabilitation to 39 units (8 single family dwellings and 31 manufactured homes) in participating County neighborhoods. Of 34 responses to our customer surveys, 24 were "excellent" and 10 were "satisfactory". *(HCS 2006 Business Plan, p.31)* | ✓ | | |
| 12. Preservation of existing and percentage increase of shelter, supportive service opportunities, and permanent supportive housing for at-risk and homeless residents of Orange County *(HCS 2005 Business Plan, p.34)* | In January 2005 the County of Orange was awarded $11.4 million from HUD's national Continuum of Care Homeless Assistance grant competition. As a result of this grant and other funding awards, HCS coordinated a total of approximately $15 million in funding through innovative public/private partnerships. *(HCS 2006 Business Plan, p.35)* | ✓ | | |
| 13. The percent of domestic violence victims sheltered per year who have previously been provided shelter. *(HCS 2005 Business Plan, p.35)* | 20% of domestic violence victims *(HCS 2006 Business Plan, p.36)* | | | ✓ Finding #4 (on pg 8) |

## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

### Finding No. 1 (4 Star)

**Housing & Community Services Performance Indicator:** Percent of clients placed and retained in jobs.

**Housing & Community Services Stated Results:** Placed in jobs – 87%, Retained in jobs – 93%.

The Board of Supervisors Internal Audit Department validation found that documentation was not maintained to verify the 93% clients retained in jobs results as reported by HCS Special Programs Division.

**Recommendation No. 1**
We recommend that HCS ensure supporting documents are retained for all results reported in Business Plans.

**Housing & Community Services Response:**
HCS concurs. The recommendation specifically refers to the 93% retention rate. The WIA program has 17 mandated performance measures that are extensively tracked through the State Job Training Information (JTA) System and an additional highly advanced software program, Futureworks Performance Matters. The performance measures are complicated and have a one-year to nine-month delay in actual outcomes. The systems track information cumulatively and are updated on a monthly basis. As a result, when the monthly reports are extracted, the system overrides the previous month's data and combines all applicable measurements and outcomes. The 93% rating was an actual point in time report from the JTA system, but a hard copy was not kept on file. When subsequent runs were made the data was updated and we were not able to replicate the outcomes. The actual year end performance for this measure released by the State on January 5, 2007 shows a 90.6% retention rate average for Adult and Dislocated Workers, a less then 3% variation.

For future business plans (starting with the 2007 Business Plan) the Community Investment Program (formerly Special Programs Division) will only use data that is published by the State Employment Development Department for final performance outcomes and will no longer average the adult and dislocated worker measures but keep them separate as published in the directives.

### Finding No. 2 (4 Star)

**Housing & Community Services Performance Indicator:** File 2,400 veterans benefit claims for disability and other federal and state benefits.

**Housing & Community Services Stated Results:** 2,245 claims filed.

The Board of Supervisors Internal Audit Department validation found that HCS Veteran Services Office overstated their results. According to the 2004-2005 semi-annual reports submitted to the California Department of Veterans Affairs, the number of veterans benefit claims filed was 1,936.

**Recommendation No. 2**
We recommend that for future Business Plans HCS ensures that reported results are properly stated.

**Housing & Community Services Response:**
HCS concurs. The Veterans Service Office Management has recently installed a new client data software system that will more efficiently and accurately tract client activity and program productivity. Additionally, increased emphasis and action for client outreach and client services quality control have been undertaken.

## Finding No. 3 (4 Star)

**Housing & Community Services Performance Indicator:** The percentage decrease in the number of affordable housing opportunities "needed" is identified by the Regional Housing Needs Assessment (RHNA) for very low-income households. HCS defines opportunities as including newly created affordable housing units, preservation of existing affordable housing, and additional housing vouchers awarded to OCHA.

**Housing & Community Services Stated Results:** HCS closed six multifamily housing loans, totaling over $4.6 million. Note: This is a partial result; the other results stated for this performance indicator were supported.

The Board of Supervisors Internal Audit Department validation found that reported results for this measure are overstated by over $100,000. We calculated that the dollar value of the closed loans was over $4.5 million. We noted that a note amount for one of the multifamily loans comprising the $4.6 million reported was less than the funding originally committed for the project. Including the higher committed amount rather than the actual loan amount resulted in the overstatement.

**Recommendation No. 3**
We recommend that for future Business Plans HCS ensures that reported results are properly stated.

**Housing & Community Services Response:**
HCS concurs. We revised the current year 2007 Business Plan to more accurately reflect the accomplishments and removed the identification of loan amounts which were not as relevant to measuring performance on the Affordable Housing goal as is the number of units that were produced through County financing.

## Finding No. 4 (3 Star)

**Housing & Community Services Performance Indicator:** The percent of domestic violence victims sheltered per year who have previously been provided shelter.

**Housing & Community Services Stated Results:** 20% of domestic violence victims.

The Board of Supervisors Internal Audit Department validation found that the only documentation in support of this result were percentages verbally reported by HCS contractors providing shelter to victims of domestic violence. This information was not sufficient to verify the 20% reported for domestic violence sheltered per year who have previously been provided shelter.

**Recommendation No. 4**
We recommend that for future Business Plans HCS ensures that reported results are properly supported.

**Housing & Community Services Response:**
HCS concurs. The verbal self-reporting by HCS domestic violence contractors was based on information they collect from their clients at intake and then report to HCS. Starting July 1, 2006, HCS requested that contractors submit their results in writing--as part of a quarterly report. In compliance with the California Welfare and Institutions Code, Section 18301, no other documentation beyond this may be required of domestic violence contractors.

For future business plans the Community Investment Program (formerly Special Programs Division) will likely change the Domestic Violence Program related goal to report the number of clients who enter the program homeless (i.e., without any living arrangement other than the shelter) and exit the program with a suitable housing arrangement, or remove the goal entirely.

Housing & Community Services Department
COUNTY OF ORANGE

April 16, 2007

To: Dr. Peter Hughes, Director, Internal Audit Department

Subject: HCS Response to Audit 2661- PERFORMANCE MEASURE VALIDATION LIMITED AUDIT OF HOUSING & COMMUNITY SERVICES 2005 PERFORMANCE INDICATORS

Attached are the HCS responses to the Performance Measure Validation Limited Audit of Housing and Community Services 2005 Performance Indicators. We concur with the recommendations made by Internal Audit staff for the Outcome Indicator Results that were rated a 4 Star and 3 Star, and have implemented actions to address those findings through our current 2007 Business Plan.

If you have any questions on our response, please contact me at (714) 480-2805 or Julia Bidwell at (714) 480-2991.

Sincerely,

Paula Burrier, Lund
Director

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## HCS Response to 2005 Performance Indicators Audit

**DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

**Finding No. 1 (4 Star)**

**Housing & Community Services Performance Indicator:** Percent of clients placed and retained in jobs.

**Housing & Community Services Stated Results:** Placed in jobs – 87%, Retained in jobs – 93%.

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**Housing & Community Services Response:** HCS concurs. The recommendation specifically refers to the 93% retention rate. The WIA program has 17 mandated performance measures that are extensively tracked through the State Job Training Information (JTA) System and an additional highly advanced software program, Futureworks Performance Matters. The performance measures are complicated and have a one-year to nine-month delay in actual outcomes. The systems track information cumulatively and are updated on a monthly basis. As a result, when the monthly reports are extracted, the system overrides the previous month's data and combines all applicable measurements and outcomes. The 93% rating was an actual point in time report from the JTA system, but a hard copy was not kept on file. When subsequent runs were made the data was updated and we were not able to replicate the outcomes. The actual year end performance for this measure released by the State on January 5, 2007 shows a 90.6% retention rate average for Adult and Dislocated Workers, a less then 3% variation.

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