Internal Audit Department

OC Board of Supervisors'

ORANGE COUNTY

PERFORMANCE MEASURE VALIDATION AUDIT OF County Executive Office 2006 PERFORMANCE INDICATORS

Based on our audit of the 2006 Outcome Indicator Results reported in your 2007 Business Plan, we found all three Performance Measures were supported receiving our highest rating of 5 Star.

AUDIT NO: 2750
REPORT DATE: JULY 14, 2008

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Providing Facts and Perspectives Countywide

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Orange County's Internal Audit
Fraud Hot-Line
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Letter from Director Peter Hughes

Transmittal Letter

AUDIT NO. 2750 **July 14, 2008**

TO: Thomas G. Mauk
County Executive Officer

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Performance Measure Validation
Audit of County Executive Office
2006 Performance Indicators

We have completed our Audit of the County Executive Office's Performance Indicators 2006 Results included in the 2007 Business Plan. We are pleased to report that we found adequate supporting documentation for your 2006 reported Performance Indicator results. The final Internal Auditor's Report is attached.

In developing our PMV audit program 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.

Each month I submit an **Audit Status Report** to the 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.

Please feel free to call me should you wish to discuss any aspect of our audit report.

Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report listed on the Internal Auditor's Report on page 2.

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Audit No. 2750

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OC Internal Audit Report

INTERNAL AUDITOR'S REPORT

AUDIT NO. 2750 **JULY 14, 2008**

TO: Thomas G. Mauk
County Executive Officer

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Performance Measure Validation Audit of County Executive Office 2006 Performance Indicators

Audit Highlight

Based on our audit of the 2006 Outcome Indicator Results reported in your 2007 Business Plan, we found all three Performance Measures were supported receiving our highest rating of 5 Star.

Scope of Review

We have completed our Audit of the County Executive Office's Performance Indicator 2006 Results reported in the 2007 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 results, assign validation ratings, report conclusions, and make recommendations. Our validation program is designed to provide assurance to the Board of Supervisors, 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.

Results

For the 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 fiscal year 2006 Results reported in your 2007 Business Plan, we rated your reported Outcome Indicator Results as 5 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 County Executive Office results.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of the County Executive Office. If we can be of further assistance, please contact me or Eli Littner, Deputy Director at 834-5899 or Alan Marcum, Senior Audit Manager at 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

SUMMARY TABLE – VALIDATION RESULTS

County Executive Office 2006 Stated		Internal Audit Validation		
Outcome Indicators	**Results**	(Highest Rating Possible) **5 Star** ★★★★★	**4 Star** ★★★★	**3 Star** ★★★
1. Board Rating of CEO Support	As a cost-saving measure, the CEO delayed utilizing a consultant to conduct the survey.	Not Applicable for our audit		
2. Agency/Department ratings of value of strategic, financial, technology, and communications provided by CEO	Surveys in progress or completed include: • Countywide Employee Survey • CEO/IT Employee Survey • CEO/Purchasing • CEO Support of Computerized Agenda Management System (CAMS) • CEO/Media Affairs Services	✓		
3. County of Orange Credit Ratings	Moody's and Standard & Poor's continued County's issuer ratings of Aa2 and A+, respectively.	✓		
4. County Proposed Budget consistency, measured in dollars and projects, to Strategic Financial Plan (SFP)	The adopted budget contained $677m in discretionary funding; $40M higher than used in the SFP. Net County Cost limits included 3% growth. Adopted budget was consistent with the strategic priorities.	✓		

County Executive Office 2006 Stated		Internal Audit Validation		
Outcome Indicators	**Results**	(Highest Rating Possible) **5 Star** ★★★★★	**4 Star** ★★★★	**3 Star** ★★★
5. Legislative Agenda and Local government awareness of regional services and coordination provided by the County	As a cost-saving measure, the CEO delayed utilizing a consultant to conduct the survey.	Not Applicable for our audit		