OC Board of Supervisors'

Internal Audit Department

ORANGE COUNTY

PERFORMANCE MEASURE VALIDATION AUDIT OF INTEGRATED WASTE MANAGEMENT 2005-2006 PERFORMANCE INDICATORS

Based on our audit of the fiscal year 2005-2006 Outcome Indicator Results reported in IWMD's 2007-2008 Business Plan, we found all seven Performance Measurers were supported with six Measurers receiving our highest rating of 5 Star.

AUDIT NO: 2754
REPORT DATE: APRIL 11, 2008

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Letter from Director Peter Hughes

Transmittal Letter

AUDIT NO. 2754 **APRIL 11, 2008**

TO: Janice V. Goss, Director
OC Waste & Recycling

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

SUBJECT: Performance Measure Validation Audit of Integrated Waste Management Department 2005-2006 Performance Indicators

We have completed our Audit of Integrated Waste Management's' Performance Indicators for the fiscal year 2005-2006 Results included in the 2007-2008 Business Plan. On March 18, 2008 by resolution of the Board of Supervisors, the name for Integrated Waste Management was changed to OC Waste & Recycling. The final Internal Auditor's Report is attached along with your response to our recommendation.

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.

Please note we have a 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 at six months from the official release of the report. However, we will not perform our first follow-up until after the next Business Plan cycle. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

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 second follow-up until after 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.

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.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendation.

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 2754

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OC Internal Audit Report

INTERNAL AUDITOR'S REPORT

AUDIT NO. 2754 **APRIL 11, 2008**

TO: Janice V. Goss, Director
OC Waste & Recycling

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

SUBJECT: Performance Measure Validation Audit of Integrated Waste Management Department 2005-2006 Performance Indicators

Audit Highlight

Based on our audit of the fiscal year 2005-2006 Outcome Indicator Results reported in IWMD's 2007-2008 Business Plan, we found all seven Performance Measurers were supported with six Measurers receiving our highest rating of 5 Star.

Scope of Review

We have completed our Audit of Integrated Waste Management's' Performance Indicators for the fiscal year 2005-2006 Results included in the 2007-2008 Business Plan. On March 18, 2008 by resolution of the Board of Supervisors, the name for Integrated Waste Management was changed to OC Waste & Recycling. 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, 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.

Results

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 fiscal year 2005-2006 Results reported in your 2007-2008 Business Plan, we rated 86% of your reported Outcome Indicator Results as 5 Star. We tested seven (7) Outcome Indicator Results and rated six (6) as 5 Star, and one (1) as 4 Star. One 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 Integrated Waste Management's results. For the Outcome Indicator Result that was rated a 4 Star, we have provided detail 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.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of OC Waste & Recycling. 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.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Alisa Drakodaidis, Deputy CEO, OC Infrastructure
Ronald Pierre, Deputy Director, OC Waste & Recycling
Business Services
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

SUMMARY TABLE – VALIDATION RESULTS

Integrated Waste Management Fiscal Year 2005-2006 Stated		Internal Audit Validation		
Outcome Indicators	**Results**	(Highest Rating Possible) **5 Star** ★★★★★	**4 Star** ★★★★	**3 Star** ★★★
1. Disposal fee comparison within Southern California Region.	Disposal Fee - $22 per ton.	✓		
2. Number of years of remaining landfill capacity.	Approximately 25-30 years of permitted landfill capacity.	✓		
3. Total volume of leachate and impacted ground water collected through the leachate collection and recovery system.	The total volume of leachate and impacted ground water collected through the leachate collection and recovery system during FY 05-06 was 3,922,890 gallons.	✓		
4. Amount of landfill gas collected and put to beneficial reuse.	Olinda Landfill 4,910 million standard cubic feet (MSCF) of landfill gas was collected in 2005. Of this amount more than 13.41% was put to beneficial reuse. Prima Landfill 1,048 MSCF million standard cubic feet of landfill gas was collected in 2005. Of this amount more than 82% was put to beneficial reuse. It is important to note that any gas collected, and not put to beneficial reuse, is “flared” or destroyed in compliance with state/local regulations.	✓		

Integrated Waste Management Fiscal Year 2005-2006 Stated		Internal Audit Validation		
Outcome Indicators	**Results**	(Highest Rating Possible) **5 Star** ★★★★★	**4 Star** ★★★★	**3 Star** ★★★
5. Number of habitat acres currently under restoration/mitigation.	FRB Landfill Monitored and maintained 32.81 acres of Coastal Sage Scrub, 2.15 acres of oak and sycamore woodland, 0.14 acres of riparian scrub. Develop a Habitat Mitigation Plan to coordinate Central Region's mitigation activities to meet the ecological needs of the Region and the Interests of the Resource Agencies. Maintained a cooperative working relationship with Resource Agencies (ACOE and USFW) on habitat management issues.		✓ **Finding #1** (See page 5)	
6. Number of habitat acres currently under restoration/mitigation.	Prima Landfill Site A: Provides mitigation primarily to the freshwater/alkaline marsh – approximately 7.52 acres. Site B: Provides mitigation to riparian vegetation – approximately 4.32 acres. Site C: Provides mitigation to coastal sage scrub – approximately 13.86 acres. Site D: Developed into a pre-mitigation site against any future coastal sage scrub or native grassland take at the landfill – approximately 18.40 acres.	✓		
7. Net importation revenue amount transferred to the County General Fund per year.	$11.4 million was transferred to the General Fund in fiscal year 05-06. Actual Transfer was higher due to Accounting Adjustment for prior years.	✓		

DETAILED OBSERVATION, RECOMMENDATION AND MANAGEMENT RESPONSE

FINDING No. 1 (4 Star)

Integrated Waste Management Performance Indicator: Number of habitat acres currently under restoration/mitigation.

Integrated Waste Management Stated Results: FRB Landfill monitored and maintained 32.81 acres of Coastal Sage Scrub, 2.15 acres of oak and sycamore woodland, 0.14 acres of riparian scrub. Develop a Habitat Mitigation Plan to coordinate Central Region's mitigation activities to meet the ecological needs of the Region and the Interests of the Resource Agencies. Maintained a cooperative working relationship with Resource Agencies (ACOE and USFW) on habitat management issues.

The Board of Supervisors Internal Audit Department validation found that IWMD submitted six annual monitoring reports on the Frank R. Bowerman (FRB) Landfill during fiscal year 2005-2006. The annual monitoring reports for the resource agencies that monitor and enforce mitigation regulations described plans to meet the ecological needs of the region and the interests of the resource agencies. The annual monitoring reports stated the mitigation performance results and quantity of impacted area.

A review of the annual monitoring reports disclosed that the number of acres maintained with oak and sycamore woodland along with riparian scrub were consistent with IWMD's 2005-2006 results. However, the annual monitoring reports disclosed that coastal sage scrub was maintained over an aggregate of 39.21 acres. IWMD's 2005-2006 results stated that coastal sage scrub was monitored and maintained over 32.81 acres which differed from annual monitoring reports by 6.40 acres or 20%.

Recommendation No. 1

We recommend that OC Waste & Recycling for future Business Plans ensure that reported results are properly stated.

OC Waste & Recycling Management Response:

Concur. OC Waste & Recycling will require that supporting documentation, including an explanation of methodology used for calculations, be approved by the respective division manager and submitted with reported results. This will be implemented with the 2009 OC Waste & Recycling Business Plan preparation process.

ATTACHMENT A: OC Waste & Recycling Management Response

COUNTY OF ORANGE
OC WASTE & RECYCLING

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April 4, 2008

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To: Peter Hughes, CPA, Director
Internal Audit

From: Janice V. Goss, Director
OC Waste & Recycling

RE: Performance Measure Validation Audit of Integrated Waste Management 2005-2006 Performance Indicators, Audit No. 2754

The OC Waste & Recycling (OCWR, formerly Integrated Waste Management Department) response to the recommendation made by your office to the subject report is the following:

Recommendation No. 1
We recommend that Integrated Waste Management for future Business Plans ensure that reported results are properly stated.

OCWR Management Response:
Concur. OC Waste & Recycling will require that supporting documentation, including an explanation of methodology used for calculations, be approved by the respective division manager and submitted with reported results. This will be implemented with the 2009 OC Waste & Recycling Business Plan preparation process.

If OCWR can be of further assistance in this audit, please contact myself or Rochelle Carpenter at (714) 834-4060.

Janice V. Goss
Janice V. Goss

Attachment

cc: Ron Pierre, Deputy Director, OCWR/Business Services
Rochelle Carpenter, Manager, OCWR/Management Services