Internal Audit Department

ORANGE COUNTY

6th Largest County in the USA

CONTROL SELF-ASSESSMENT & PROCESS IMPROVEMENT BY THE
TREASURER-TAX COLLECTOR

Two Workshops Facilitated by the Internal Audit Department in May 2011

> **Control Self-Assessment & Process Improvement (CSA-PI) is a management tool where work teams within a department or agency assess their own effectiveness in meetings select business and control objectives.**

The Internal Audit Department facilitated two CSA-PI workshops in the Treasurer-Tax Collector's Office at the request of the newly-elected Treasurer-Tax Collector and with the approval of the Audit Oversight Committee on April 27, 2011. The two workshops were conducted in May 2011. CSA-PI is not an audit; rather, it is a consulting service that assists County departments in conducting their own internal assessment of the effectiveness of their controls and business processes. T-TC executive management is taking the CSA-PI process very seriously and has been diligent in taking action to address issues raised in the workshops.

REPORT NO: 1054
REPORT DATE: AUGUST 5, 2011

Director/Facilitator: Dr. Peter Hughes, MBA, CPA, CIA
Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager/Facilitator: Michael Goodwin, CPA, CIA
Audit Manager/Facilitator: Michael Dean, CPA, CIA, CCSA
Administrative Manager/Facilitator: Renee Aragon

ORANGE COUNTY BOARD OF SUPERVISORS'
OC Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes	**Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF**
Director	Certified Compliance & Ethics Professional (CCEP)
	Certified Information Technology Professional (CITP)
	Certified Internal Auditor (CIA)
	Certified Fraud Examiner (CFE)
	Certified in Financial Forensics (CFF)
E-mail:	peter.hughes@iad.ocgov.com

Eli Littner	**CPA, CIA, CFE, CFS, CISA**
Deputy Director	Certified Fraud Specialist (CFS)
	Certified Information Systems Auditor (CISA)
Michael J. Goodwin	**CPA, CIA**
Senior Audit Manager	
Alan Marcum	**MBA, CPA, CIA, CFE**
Senior Audit Manager	
Autumn McKinney	**CPA, CIA, CISA, CGFM**
Senior Audit Manager	Certified Government Financial Manager (CGFM)

Hall of Finance & Records

12 Civic Center Plaza, Room 232
Santa Ana, CA 92701

Phone: (714) 834-5475   Fax: (714) 834-2880

To access and view audit reports or obtain additional information about the
OC Internal Audit Department, visit our website: www.ocgov.com/audit

Fraud Hot-Line

OC Fraud Hotline (714) 834-3608

Transmittal Letter

Report No. 1054   August 5, 2011

TO: Shari L. Freidenrich, CPA
Treasurer-Tax Collector

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

SUBJECT: Control Self-Assessment & Process Improvement by the Treasurer Tax-Collector

We have completed our facilitation of a Control Self-Assessment & Process Improvement (CSA-PI) by the Treasurer-Tax Collector. The newly-elected Treasurer-Tax Collector requested CSA-PI due to significant changes in executive management in the Treasurer-Tax Collector over the past five years. As such, we conducted two CSA-PI workshops in the Treasurer-Tax Collector's Office in May 2011. The **Control Self-Assessment & Process Improvement Report** is attached.

This CSA-PI was approved by the Audit Oversight Committee on April 27, 2011, with the understanding that the impressions and perspectives captured in the workshop summaries would be retained exclusively by those elected officials who requested a CSA-PI. Additionally, directions included: 1) providing a workshop summary to the CEO for review and action (as the CEO deems warranted) for those departments and agencies reporting directly to the CEO; 2) Internal Audit following up on all internal control weaknesses identified in the workshop in the manner they deemed warranted; and 3) providing a summary notice of completion in the format and with the content contained in this Control Self-Assessment & Process Improvement Report.

Each month I submit an **Audit Status Report** to the Board of Supervisors (BOS) where I detail any critical or significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Although CSA-PI is not considered an audit, this report will be included in a future status report to the BOS.

Attachments

Other recipients of this report are listed on the **Control Self-Assessment & Process Improvement Report** on page 4.

Control Self-Assessment & Process Improvement Report

Control Self-Assessment & Process Improvement
by the Treasurer-Tax Collector
Report No. 1054

Two Workshops Conducted in May 2011

Control Self-Assessment & Process Improvement Report

TO: Shari L. Freidenrich, CPA
             Treasurer-Tax Collector

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

SUBJECT: Control Self-Assessment & Process Improvement
             by the Treasurer-Tax Collector

CSA-PI Highlight

The Internal Audit Department facilitated two Control Self-Assessment & Process Improvement workshops in the Treasurer Tax Collector's Office at the request of the newly-elected Treasurer-Tax Collector and with approval by the Audit Oversight Committee.

One team included 11 participants consisting of staff, supervisors and a manager from Tax Collection and Information Technology. The other team had 12 participants consisting of staff, supervisors and a manager from Treasury, Accounting and Administration. Each team assessed their department's effectiveness in meeting its business and control objectives.

CSA-PI is a consulting service to assist County departments assess the effectiveness of their business processes.

OVERVIEW AND PURPOSE OF CSA-PI

This report is regarding our facilitation of two Control Self-Assessment & Process Improvement (CSA-PI – formerly referred to as CSA) workshops in the Treasurer-Tax Collector's Office. The primary purpose of CSA-PI is to help teams assess their effectiveness in meeting select departmental business and control objectives. One workshop was comprised of employees from Tax Collection and Information Technology, and one workshop was comprised of employees from Treasury/Investments, Accounting, and Administration.

In order to ensure workshop participants are comfortable in providing assessments that may be critical of existing processes and procedures, Internal Audit uses anonymous voting technology to capture the participants' perceptions regarding the effectiveness of resolving internal conflicts, promoting and supporting teamwork, establishing achievable goals, measuring performance, empowering employees, providing recognition, inviting employee comments and suggestions, communicating expectations, sharing financial and operational information, and training and developing staff.

CSA-PI workshops have three fundamental purposes. **First**, the workshops provide the teams with a formal process for self-evaluation. This process addresses strengths and obstacles that impact the teams' ability to achieve their objectives and to decide upon appropriate action. **Secondly**, Internal Audit prepares a summary of results of the workshops that provides a basis for upper management to evaluate the control environment within a department. **Lastly**, the process provides a methodology for participants to apply these workshop principles and dynamics in the workplace by identifying problems and obstacles, and developing action plans to address concerns and build upon strengths. Participants are encouraged to communicate openly, identify concerns, and collaborate in deciding on appropriate actions.

The Internal Audit Department serves primarily as workshop facilitators and not auditors. This process is based on the consensus of impressions, comments, opinions, and perspectives of the workshop teams and is not "audited or validated" by Internal Audit. Nevertheless, we consider the workshop results provide useful insights regarding the status of the Treasurer-Tax Collector's control environment.

Control Self-Assessment & Process Improvement is a process where managers and employees of a unit led by trained facilitators (Internal Audit) come together to discuss the strengths and concerns impacting their ability to accomplish their objectives. Workshop participants, using anonymous voting technology, vote on a series of **51 statements in 11 categories of control elements** (see Attachment A). The statements are used to assess business operations and help both the participants and management focus on common business objectives and controls.
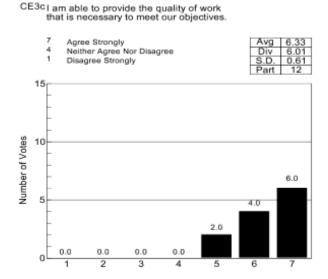
The categories presented to the group for voting and discussion are:

Values & Beliefs	Information
Team Environment & Responsibilities	Skills & Knowledge
Communication & Relations	Rewards & Recognition
Setting Team Objectives	Control Activities
Planning & Risk Assessment	Monitoring, Learning & Managing Change
Resources	

The teams are asked to vote anonymously on whether they agree or disagree with the 51 statements. The voting is on a scale of 1 through 7, with 1 corresponding to "disagree strongly" and 7 corresponding to "agree strongly."

For example, one statement under the category "Skills & Knowledge" reads, "I am able to provide the quality of work that is necessary to meet our objectives." After the participants voted on this statement, graphic results were instantly displayed showing the results similar to the **sample** graph below:

After viewing the results of their voting, comments are shared and recorded relating to strengths, concerns, and possible actions to be taken to address the issues raised in the statements. The impressions and perceptions reflected in the statements are used by management to stimulate further discussions with the objective of revising, enhancing or improving control, process and managerial issues identified.

WORKSHOP IMPRESSIONS

As noted above, CSA-PI workshops are based on the consensus of impressions, comments, opinions, and perspectives of the workshop teams of the workshop teams. The benefit of the workshop is to get issues out on the table so management and the team participants can evaluate, research, clarify, and ultimately verify the observations expressed. Management responds by working with employees and developing concrete corrective actions that the workshop team and management determine have validity to pursue. CSA-PI is a multi-step process: **First**, Internal Audit acts as facilitators to flush out strengths and concerns from the participants in meeting department objectives. **Secondly**, management and the teams evaluate the workshop results. **Thirdly**, management and the team develop concrete corrective actions in an action plan. Management implements the action plans and ensures they are provided to workshop participants and to all employees. **Lastly**, Internal Audit will pursue any control concerns that come out of the workshops.

RESULTS

After completion of the two CSA-PI workshops, each team worked with management to prepare an internal action plan addressing the higher-priority issues brought forward during the workshops. We received a copy of the action plan from the workshops, which included items that had been initiated or planned. The few issues raised in the T-TC workshops were typical of an organization that experienced significant changes in executive management (three department heads in a five year period) and that is undergoing a new major business system implementation. We noted that T-TC executive management is taking the CSA-PI process very seriously and has been diligent in taking action to address issues raised in the workshops. The summaries of the raw and unverified comments, impressions and voting results are in the possession of the Treasurer-Tax Collector. As such we limited distribution strictly to the Treasurer-Tax Collector's Office for use as a management tool in facilitating their internal assessment. **No internal control concerns were raised in the course of the workshops that warranted further attention by the Internal Audit Department.**

CSA-PI TEAMS' EVALUATION

Following the workshops, IAD facilitators ask teams to evaluate the CSA-PI process by anonymously voting on five standard quality assurance statements. The participants provided high ratings for the CSA-PI process and their individual workshops as indicated by their voting. The average scores from the 23 participants evaluating the CSA-PI process are shown below. The participants vote by selecting a numerical rating from a scale of 1 through 7. A score of 7 indicates the participants strongly agree with the statement. A score of 4 indicates they neither agree not disagree. A score of 1 indicates the participants strongly disagree with the statement. See the table below of Evaluation Statements for the averaged score results of the two workshops.

Evaluation Statement	Top Score Possible	Average Score	Percentage
I understand the purpose of CSA-PI.	7.00	6.96	99.4%
The workshop helped to highlight issues significant to this team.	7.00	6.69	95.6%
I was able to express my opinions freely.	7.00	6.48	92.6%
The (Internal Audit Department) facilitators did a good job.	7.00	6.78	96.9%
I would recommend this process to other teams.	7.00	6.61	94.4%

SOME TEAM COMMENTS

- ✓ I think it was a good method to evaluate the current teams' strengths and weaknesses in order to create an improvement plan.
- ✓ Liked the ability to see the variety of answers submitted by participants. I think the responses were candid, so people felt comfortable.
- ✓ We worked on many key issues we were all facing and how to effectively work with them.
- ✓ I think it was a very good exercise and I am committed to following through and getting great results.

ACKNOWLEDGMENT

We appreciate the courtesy and cooperation extended to us by the personnel at the Treasurer-Tax Collector's Office. If you have any questions regarding the CSA-PI process, please call me directly or Eli Littner, Deputy Director at (714) 834-5899, or Mike Goodwin, Senior Audit Manager at (714) 834-6006.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Paul Gorman, Chief Assistant Treasurer
Jennifer Burkhart, Assistant Treasurer-Tax Collector
Robin Russell, Assistant Treasurer-Tax Collector
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors

ATTACHMENT A: Control Self-Assessment/Process Improvement Workshop Overview

CONTROL SELF-ASSESSMENT / PROCESS IMPROVEMENT WORKSHOP
OC INTERNAL AUDIT DEPARTMENT

Section 1 – Introduction to Control Self-Assessment/Process Improvement

The objective is to understand Control Self-Assessment/Process Improvement (CSA-PI) and the internal control framework, as a method used by the Internal Audit Department to help work-teams assess control effectiveness.

Section 2 – Situation Appraisal Section (Post It Note Exercise)

The objective is to identify your team's strengths and concerns and evaluate their relative impact on your ability to meet business objectives.

STRENGTHS - Items that help us to meet our objectives

SA1a   Rate the current impact of this item on your objectives

   1   No Impact
   4   Moderate Impact
   7   High Impact

SA1b   Rate the future benefit of this item, i.e. the benefits that would occur by further application of this strength

   1   No Benefit
   4   Moderate Benefit
   7   High Benefit

CONCERNS - Items that hinder our ability to meet our objectives

SA2a   Rate the current impact of this item on your objectives

   1   No Impact
   4   Moderate Impact
   7   High Impact

SA2b   Rate the future risk of this item, i.e. the future risk this item poses to the objectives if it is not addressed

   1   No Risk
   4   Moderate Risk
   7   High Risk

©1995-01 PDK Control Consulting International Ltd.   Page 1   Updated May 2011

Section 3 – Control Appraisal Section

The objective is to examine the key controls of the internal control framework to measure how effective they are in your area of responsibility.

A number of statements will be made in each of the following categories and you will be asked to vote on how strongly you agree or disagree with each of the statements. After voting on all the statements in a category, the results will be graphically displayed and the team will have the opportunity to discuss them and decide whether to take any action and, if so, what needs to be done.

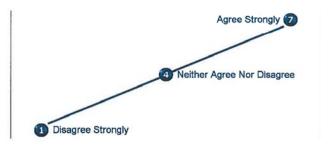| Area of Control	Voting Category
Control Environment (CE1)	Values & Beliefs
Control Environment (CE2)	Team Environment & Responsibilities
Information & Comm. (CI1)	Communications & Relations
Risk Assessment (RA1)	Setting Team Objectives
Risk Assessment (RA2)	Planning & Risk Assessment
Risk Assessment (RA3)	Resources
Information & Comm. (CI2)	Information
Control Environment (CE3)	Skills & Knowledge
Control Environment (CE4)	Rewards & Recognition
Control Activities (CA1)	Control Activities
Monitoring (ML1)	Monitoring, Learning & Managing Change

Agree Strongly 7

4 Neither Agree Nor Disagree

1 Disagree Strongly

©1995-01 PDK Control Consulting International Ltd.   Page 2   Updated May 2011

ATTACHMENT A: Control Self-Assessment/Process Improvement Workshop Overview (continued)

VALUES & BELIEFS

CE 1a	Our department demonstrates commitment to its mission.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 1b	Our department demonstrates commitment to equity (fairness) in the workplace.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 1c	Our department's standards of values and ethics have been clearly communicated to me.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 1d	People in leadership positions in our department set a good example.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 1e	Our department operates in an ethical manner.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7

TEAM ENVIRONMENT & RESPONSIBILITIES

CE 2a	We are an effective team.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 2b	My role and responsibility in the team is clearly understood by other team members.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 2c	I am empowered to carry out my job responsibilities.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CE 2d	Our team considers the effects of its actions on others.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7

COMMUNICATION & RELATIONS

CI 1a	I can discuss bad news freely with all members of our team.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CI 1b	I can discuss bad news freely with the next level of management.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
CI 1c	Our team openly discusses those matters that need to be discussed.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7

SETTING TEAM OBJECTIVES

RA 1a	Our team members are currently working to achieve common team objectives.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
RA 1b	I have sufficient involvement in setting our team's objectives.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
RA 1c	Our team's objectives are aligned with our department's overall objectives and strategies.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
RA 1d	Our team's objectives are compatible with the objectives of other related teams.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7
RA 1e	We have an effective method to resolve conflicting objectives between teams.	☐☐ ☐☐☐ ☐☐	1 2 3 4 5 6 7

ATTACHMENT A: Control Self-Assessment/Process Improvement Workshop Overview (continued)

PLANNING & RISK ASSESSMENT

RA 2a	I have a clear understanding of the things that could go wrong (risks) in my work.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 2b	I understand the level of risk acceptable to the department when establishing team objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 2c	Our team effectively applies risk assessment to our business.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 2d	Our team has targets against which progress can be measured and monitored.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 2e	Our team will meet its objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7

RESOURCES

RA 3a	Our planning process includes estimates of the resources required to meet our team's objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 3b	The resources our team has available will allow us to achieve our business objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 3c	The resources available to our team are sufficient to ensure high quality output.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
RA 3d	Our organizational structure is effective in providing the resources required to meet our team's objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7

INFORMATION

CI 2a	The information I need to do my job is easily accessible.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CI 2b	The information systems I use are helpful to me.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CI 2c	I have confidence in the accuracy of the information I receive.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CI 2d	Adequate steps are taken to ensure information is safeguarded.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CI 2e	Our team has a plan to recover from a loss of information.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7

SKILLS & KNOWLEDGE

CE 3a	I have adequate skills to do my job.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CE 3b	I understand how my job inter-relates with other people/parts of the department.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CE 3c	I am able to provide the quality of work that is necessary to meet our objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7
CE 3d	The overall capability level of our team is sufficient to meet our objectives.	▢▢ ▢▢▢ ▢▢	1 2 3 4 5 6 7

REWARDS & RECOGNITION

CE 4a   I know the standards against which my performance will be measured.

CE 4b   I receive adequate compensation for my performance.

CE 4c   I receive adequate recognition for my performance.

CE 4d   I enjoy my work.

CONTROL ACTIVITIES

CA 1a   Our team's procedures are well documented and understood.

CA 1b   Our team's procedures help ensure work is carried out effectively.

CA 1c   Our team's procedures help ensure consistent quality of output.

CA 1d   Our team's policies and procedures are adequate to ensure that the most significant risks are effectively controlled.

CA 1e   Our team adheres to established policies and procedures.

CA 1f   Our team's major work processes are efficient.

MONITORING, LEARNING & MANAGING CHANGE

ML 1a   Our team does a good job of analyzing our results.

ML 1b   Our team measures the value of the services we provide.

ML 1c   Our team compares our practices with other groups (internal and external).

ML 1d   Our team regularly analyzes external conditions that may affect our objectives.

ML 1e   Our team periodically challenges our objectives to determine if they are still appropriate.

ML 1f   Our team makes effective changes based on what we learn from our analysis.

(Each item has rating boxes: 1 2   3 4 5   6 7)

©1995-01 PDK Control Consulting International Ltd.   Page 5   Updated May 2011

ATTACHMENT A: Control Self-Assessment/Process Improvement Workshop Overview (continued)

Section 4 – Next Steps Section

What are the Next Steps for our team?

Section 5 – Evaluation of the Workshop

Please provide feedback on today's workshop by either agreeing or disagreeing with the following statements:

		Disagree Strongly		Agree Strongly
EV 1a	I understand the purpose of Control Self-Assessment/Process Improvement.	□□ 1 2	□□□ 3 4 5	□□ 6 7
EV 1b	The workshop helped to highlight issues significant to this team.	□□ 1 2	□□□ 3 4 5	□□ 6 7
EV 1c	I was able to express my opinions freely.	□□ 1 2	□□□ 3 4 5	□□ 6 7
EV 1d	The facilitators did a good job.	□□ 1 2	□□□ 3 4 5	□□ 6 7
EV 1e	I would recommend this process to other teams.	□□ 1 2	□□□ 3 4 5	□□ 6 7

©1995-01 PDK Control Consulting International Ltd.   Page 6   Updated May 2011