

W. 5.0.

AGENDA COVER MEMO

Memorandum Date: November 28, 2006

Order Date: November 28, 2006

TO: Board of County Commissioners
DEPARTMENT: Performance Auditor
PRESENTED BY: Stewart Bolinger, Performance Auditor
AGENDA ITEM TITLE: Work Plan – Performance Auditor

I. MOTION

The Internal Auditor proposed work plan for 2006 – 2007 be adopted.

II. AGENDA ITEM SUMMARY

Request: Commission review and comment on a proposed Work Plan for the next twelve months as required by Lane Manual 3.074

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

This is the first Work Plan proposed since appointment of a new Performance Auditor.

Lane Manual 3.074 (Performance Auditor) Functions states: "At the beginning of each fiscal year, the auditor shall submit an annual Work Plan to the Board for review and comment. The Plan shall include the departments, offices, activities and agencies schedule for performance audit for the year. This Plan may be amended during the year after review with the Board with input from the County Administrator."

Policy Issues

The Work Plan fulfills the requirement to submit an annual Work Plan to the Board for review and comment.

B. Board Goals

Performance Management

Audit of safety practices aims to verify that performance-to-standards is the norm.

Audit of fleet cost accounting practices aims to ascertain whether cost tracking reliably captures the significant elements of fleet repair and maintenance, i.e., task performance costs are reasonably represented in the financial accounts.

Audit of high volumes (100+) of payments to single vendors may show a basis for consolidating payments and reducing total associated accounting effort, efficient performance of necessary tasks.

Audit of major grantee/subgrantee compliance with the terms of their agreements with the county gauges their performance per the agreed terms and conditions and the effectiveness of ongoing oversight.

Revenue Development

Audit of car rental tax collections aims to ensure that that revenue stream represents no more or no less than what is due and to correct for any disparities.

Audit of Land Management's delivery of current, accurate and complete data to Assessment and Taxation means to ensure that assessment and taxation proceeds based on the best information available by reducing the risk of errors or omissions from the data supplied. To the degree more timely and accurate valuations yield additional revenue, revenue development ensues.

C. Financial and/or Resource Considerations

The Work Plan assumes no additional resources besides those available currently will be necessary to complete the Plan.

Oregon OSHA provides consultation services to employers without charge. I may ask for this consultation service prior to starting the Safety Audit at Public Works.

"The service from Oregon OSHA's Consultation Services is outstanding! Our savings on claims costs have been enormous. Annual claims costs have dropped 64 percent and lost workdays have fallen 79 percent." –City of Portland, Columbia Wastewater Treatment Plant.

D. Analysis

A brief statement of salient economic, regulatory, or historic internal control conditions prompting audit interest follows each proposed audit or statement of audit objectives. (See Attachment)

F. Alternatives/Options

The first and simplest alternative is to reprioritize the list of audits presented with this Work Plan or to modify the objectives of any of the audits.

Second, proposed objective seven aims to provide a more comprehensive county-wide risk matrix to support consideration of audit options on a long term basis. That could be prepared immediately to be followed by adoption of a Work Plan based on those results. More exposure to more aspects of county operations prior to completing the comprehensive matrix seems like a more productive precondition to preparing the full plan.

Internal control or risk conditions affecting compliance, protection of assets, data accuracy, and efficiency and effectiveness in domains other than those listed qualify for audit. Audit judgment is always subjective while professional practice recommends audit selections based on these particular factors among others: (a) time since last audit, (b) senior management requests, (c) material cash flows, (d) ease of conversion to cash, (e) prior audit findings, (f) major changes in operating conditions or management, and (g) regulatory changes. Unanticipated conditions also pose new risks as time progresses.

V. TIMING/IMPLEMENTATION

The order of proposed audits represents a summary assessment of the relative priority of the audits or the order in which they should take place. Rather than commit to completion dates without reason, I prefer to account for the budgets and expected completion dates at least quarterly. The Work Plan presents a set of new and unique audits rather than repetitive 'cookbook' audits where time-to-complete can be estimated based on prior results with more precision.

VI. RECOMMENDATION

The proposed Work Plan for the next twelve months should be adopted subject to revision to meet changing risk conditions as assessed by the Commissioners.

VII. FOLLOW-UP

Audit planning will begin promptly after approval of an Audit Work Plan. Follow-up audit status reports shall follow with the frequency requested by the Commissioners.

ATTACHMENTS: Board Order
Work Plan

THE BOARD OF COUNTY COMMISSIONERS
OF LANE COUNTY, OREGON

ORDER NO. ___-___-

)
)
)
)
)

IN THE MATTER OF APPROVING THE
INTERNAL AUDITOR WORK PLAN FOR
2007

WHEREAS, the Board has hired an Internal Auditor for the purpose of conducting financial, operational and performance audits; and

WHEREAS, the Internal Auditor has submitted a proposed work plan detailing projects to be undertaken during the ensuing year; and

WHEREAS, the Board has reviewed the proposed work plan and will received periodic updates on the status of the work plan;

NOW, THEREFORE IT IS HEREBY ORDERED that the Internal Auditor proposed work plan for 2007 be adopted.

DATED THIS _____ day of _____, 2006.

Chair, Lane County Board of Commissioners

APPROVED AS TO FORM
Date 11/22/06 Lane County
Teresa Smith
OFFICE OF LEGAL COUNSEL

Performance Auditor

Work Plan (Proposed Audits) FY 2007

1) Safety Policy Compliance Practices – Public Works

Report on compliance with Public Works' policies and practices devoted to worker and work process safety to confirm effective compliance with updated safety policies and procedures reported to OR-OSHA as well standard safety policies and procedures.

Public Works has reported adoption of specific policies and practices as a response to the OR-OSHA report. County workers compensation claims totaled 58 as of November 2, 2006. Twenty-nine of the claims related to Public Works employees, without quantifying the claims' relative severity and duration.

2) County Car Rental Tax Collections – Management Services

Report on county car rental agencies' compliance with their county tax requirements to ensure full recovery of the amounts due.

Collections from six car rental agencies totaled slightly over \$1.24 million dollars in FY2006. No prior audits have taken place.

3) Land Management Division Data Deliveries to Assessment and Taxation – Public Works and Assessment and Taxation

Report on Land Management's delivery of current, accurate, and complete data to Assessment and Taxation to ensure that assessments and taxation derive from the most reliable and relevant data available.

Businesses with taxable personal property may not be on the assessment role; exemption records are overdue for audit according to Assessment and Taxation. Data analysis capability within County internal audit can support reconciliation of disparate data bases containing property data in either Land Management or Assessment and Taxation.

4) Automobile Fleet Maintenance and Repair Cost Accounting Practices – Sheriff and Public Works

Proposed Audit: Report on the accuracy and reliability of current automobile fleet maintenance and repair cost accounting system data and analyses as well as the associated inventory controls.

Operating expenses for personnel services totaled \$1,682,000, and for materials and services they totaled \$3,540,000 in the Motor and Equipment Pool according to the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the fiscal year ended June 30, 2006. Insource/Outsource analyses hinge on the accuracy and usefulness of the associated data capture and analysis. There have been significant changes in fleet maintenance work allocations and costs monitoring since the prior audit.

5) Administration of Multiple Payments to Single Payees – Management Services

Proposed audit: Report on the efficiency of multiple payments to single payees with the objective of minimizing or consolidating payments to reduce processing time and record keeping.

The county made 916 payments totaling \$215,126 to the Oregon Department of Human Resources and 125 payments totaling \$2,452,272 to Eugene Water and Electric Board during fiscal year 2006. That was an average of \$235 per disbursement versus \$19,618 per disbursement. Based on this data alone, delivery of \$19,618 per transaction as done with EWEB payments could reduce the payments to Oregon Dept. of Human Resources to eleven from nine hundred and sixteen. Ten vendors received between 916 and 119 payments during FY2006. The relative efficiency and effectiveness of some high transaction disbursement streams seems questionable.

6) Grantee Compliance – Health and Human Services

Proposed audit: Report on large (\$1 million plus) grantee/subgrantee compliance with the terms of their agreements with the county to supply various services in agreement with Health and Human Services.

During FY2006 Health and Human Services disbursed from \$1 to \$4.4 million dollars to Oregon Supported Living Program, Albertina Kerr Centers, Willamette Family Treatment Services, Alternative Services of Oregon, and Looking Glass Youth and Family Services among others. Grant compliance audits to verify compliance with the grants' terms and conditions have not been conducted by the Performance Auditor for over a year.

7) Comprehensive County Performance Audit Work Plan Risk Matrix

Prepare a comprehensive audit work plan and risk matrix for Lane County to prioritize audits for the next three years and to ensure systematic and sustained attention to significant risk scenarios confronting the county.

8) Ongoing Duties – Performance Auditor

HIPAA Privacy Officer; External Audits, Documenting Performance Audit compliance with Yellow Book standards