

Internal Audit Department

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PERFORMANCE MEASURE VALIDATION AUDIT OF TREASURER-TAX COLLECTOR 2005-2006 PERFORMANCE INDICATORS

AUDIT NO: 2759

REPORT DATE: DECEMBER 4, 2007

Audit Director: Peter Hughes, Ph.D., CPA
Deputy Director: Eli Littner, CPA, CIA
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Internal Audit Department

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Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608

Letter from Director Peter Hughes



Transmittal Letter



AUDIT NO. 2759 DECEMBER 4, 2007

TO: Chriss W. Street
Treasurer-Tax Collector

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

SUBJECT: Performance Measure Validation
Audit of Treasurer-Tax Collector
2005-2006 Performance Indicators

We have completed our Audit of the Treasurer Tax-Collector's Performance Indicators for the fiscal year 2005-2006 Results included in the 2007-2008 Business Plan. We are pleased to report that we found adequate supporting documentation for all five (5) of your 2005-2006 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.

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

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Audit of Treasurer-Tax Collector
2005-2006 Performance Indicators
Audit No 2759*

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OC Internal Audit Report



INTERNAL AUDITOR'S REPORT

AUDIT No. 2759

DECEMBER 4, 2007

TO: Chriss W. Street
Treasurer-Tax Collector

SUBJECT: Performance Measure Validation Audit of Treasurer-Tax Collector 2005-2006 Performance Indicators

Audit Highlight

We tested all five (5) of your fiscal year 2005-2006 Performance Indicator results reported in your 2007-2008 Business Plan. We rated 100% of your reported results as 5 Star.

Scope of Review

We have completed our Audit of Treasurer-Tax Collector's Performance Indicators for the fiscal year 2005-2006 Results included in the 2007-2008 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, 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.

OC Internal Audit Report



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 100% of your reported Outcome Indicator Results as 5 Star. We tested all five (5) Outcome Indicator Results and rated five (5) 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 Treasurer-Tax Collector results.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of the Treasurer-Tax Collector Department. 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,

A handwritten signature in blue ink that reads "Peter Hughes".

Dr. Peter Hughes, CPA, Director
Internal Audit Department

ATTACHMENTS

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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

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SUMMARY TABLE – VALIDATION RESULTS

Treasurer-Tax Collector Fiscal Year 2005-2006 Stated		Internal Audit Validation		
Outcome Indicators	Results	(Highest Rating Possible)	4 Star	3 Star
		5 Star ★★★★★	★★★★	★★★
1. Obtain a portfolio yield that meets or exceeds the 90-day US Treasury Bill and money market benchmarks within the parameters of investment policy.	Fed Funds increased from 3.25% to 5.25%. Year to date the OCIP money market portfolios have consistently outperformed the money market benchmark and have provided a comparable return to the 90-day T-Bill.	✓		
2. Maintain administration fee charged to all pool participants.	Administration fee stayed at 11.25 basis points (i.e., 0.1125%).	✓		
3. Maintain highest rating of investment pools (AAA/V-1+ per Fitch and Aaa/MR1 per Moody's Investor Service).	The County and the Educational Investment Pools retained their credit ratings. Moody's: Aaa MR1 & Fitch: AAA/v1+.	✓		
4. Exceed State property tax collection rates for secured and unsecured property by minimizing unpaid taxes.	County of Orange collection percentage ratings for Secured and Unsecured taxes exceeded state median. Of the 58 counties in the State of California, the County of Orange Secured tax collection is 98.5% with ranking of 5 th in the state. The County of Orange Unsecured tax collection is 97.4% with a ranking of 16 th .	✓		

OC Internal Audit Report



Treasurer-Tax Collector Fiscal Year 2005-2006 Stated		Internal Audit Validation		
Outcome Indicators	Results	(Highest Rating Possible) 5 Star ★★★★★	4 Star ★★★★	3 Star ★★★
5. Increase the number and amount of electronic tax payments received as a percentage of the total number and amount of taxes collected.	Increased dollars collected electronically from 20% to 33% and the number of transactions paid electronically increased from 7% to 11%.	✓		