

# OFFICE OF THE PERFORMANCE AUDIT DIRECTOR



## 2012 BUSINESS PLAN UPDATE



March 2012

## Department Summary

The Board of Supervisors established the Office of the Performance Audit Director (Office) on November 9, 2007, and after a nationwide search, the Office's first Director was hired on January 8, 2008.

### Mission

The mission of the Office is to independently and objectively assess the performance of County of Orange operations and programs and provide the Board of Supervisors and County Executive Management with reliable, insightful, and useful information and recommendations to make sound business decisions.

Accordingly, the two core services of the Office are to:

- (1) Provide unfiltered, independent, and objective performance audits of the efficiency and effectiveness of County operations and programs.
- (2) Provide advisory services to the Board of Supervisors regarding topical policy and management issues.

The provision of these core services directly supports the accomplishment of the County's mission and strategic objectives, as well as its business and cultural values. Specifically, the unique charter for the Office supports the County's mission of providing "outstanding, cost-effective regional public services," as audit findings and recommendations identify opportunities for agencies/departments to improve services to the public (County business value of excellence) and operate more cost-effectively and efficiently (County business value of stewardship). Moreover, the Office's mission promotes integrity and trust—two core County values—by providing enhanced accountability and transparency into County operations.

In order to accomplish its mission, the Office utilizes three key strategies:

- 1) Deliver outstanding, value-added reports.
- 2) Provide County agencies/departments with constructive findings and recommendations that will make programs more effective and efficient.
- 3) Hire and retain exemplary staff.

The Office is composed of four audit staff, including the Director, and in FY 2011/12 was allocated a budget of \$705K.

## Performance Measures Updates

In keeping with the Countywide Balanced Scorecard initiative, the Office is tracking the performance measures listed below.

### Strategy 1: Deliver outstanding, value-added reports.

#### PERFORMANCE MEASURE: Return on Investment

**WHAT:** Value Added Opportunities as a % of Office Annual Expenditures

**WHY:** A key reason that the Office was created was to identify opportunities for revenue enhancement and cost savings opportunities during performance audit work. Since its inception, the Office has identified concrete “value-add” opportunities totaling more than \$190 million dollars. In addition, the types of reports completed by the Office have historically been completed mostly by private sector consultants hired by the County.

FY 10/11 Results <sup>1</sup>	FY 11/12 Plan <sup>2</sup>	FY 11/12 Anticipated Results	FY 12/13 Plan	How are we doing?
More than 200% in direct savings	200% or more	200% or more	200% or more	As demonstrated by just one example— the Sheriff Overtime Follow-Up audit—hard dollar savings can be realized when audit recommendations are implemented by the audited entity (\$26 million reduction in overtime expenses between FY 07/08 and FY 09/10). In addition, the cost savings opportunities identified in the audit of HRD (\$149+ million <sup>3</sup> ), in particular, will result in far greater than 200% ROI.

<sup>1</sup> Performance audits included in the FY 10/11 performance measurements: 1) Sheriff Overtime Follow-Up Audit, 2) Review of OCSD Harbor Patrol, and 3) Performance Audit of HRD

<sup>2</sup> Performance audits included in the FY 11/12 performance measurements: 1) Performance Audit of CEO/Risk Management and 2) Follow-Up Audit of HCA/Correctional Medical Services

<sup>3</sup> The \$149 million in cost savings opportunities is the result of both Performance Audit and CEO analysis

**Strategy 2: Provide County agencies/departments with constructive findings and recommendations that will make programs more effective and efficient.**

**PERFORMANCE MEASURE: Reasonableness of Audit Findings and Recommendations**

**WHAT:** % of Findings/Recommendations Agreed with by the Audited Agency/ Department

**WHY:** An important element of the findings and recommendations made by the Office is their reasonableness to the agency/department that was audited. One way to measure the reasonableness of a finding or recommendation is whether or not an agency/department concurs or does not concur with audit findings and recommendations. Historically, agencies/departments have agreed with the majority of the findings and recommendations included in our audit reports.

<b>FY 10/11 Results<sup>4,5</sup></b>	<b>FY 11/12 Plan</b>	<b>FY 11/12 Anticipated Results</b>	<b>FY 12/13 Plan</b>	<b>How are we doing?</b>
55.4% Concur <sup>6</sup> ; 21.4% Partially Concur; 17.9% Do Not Concur; 5.4% Inconclusive	80% or more agreement with findings; 60% or more agreement with recommendations	80% or more agreement with findings; 60% or more agreement with recommendations	80% or more agreement with findings; 60% or more agreement with recommendations	The results in FY 10/11 were atypical and driven by a high number of audited entity deficiencies.

**PERFORMANCE MEASURE: Usefulness of Audit Findings and Recommendations**

**WHAT:** % of Findings Addressed by the Audited Agency/ Department

**WHY:** Another important element of the findings and recommendations made by the Office is their usefulness to the agency/department that was audited. One measure of the Office's ability to help audited entities make improvements to their programs is whether or not an agency/department addresses audit findings, as determined during follow-up audits.

<sup>4</sup> As the Sheriff's response related to the Harbor Patrol audit did not specifically address each finding and recommendation, the results presented are related to the audit of HRD and the Sheriff's Overtime follow-up audit only.

<sup>5</sup> HRD did not respond to findings and recommendations separately; therefore, results are for findings and recommendations combined.

<sup>6</sup> Note: After a review by the HR Audit Board Subcommittee, HRD agreed with the majority of findings and recommendations, which increases the percentage of concurrences.

<b>FY 10/11 Results</b>	<b>FY 11/12 Plan</b>	<b>FY 11/12 Anticipated Results</b>	<b>FY 12/13 Plan</b>	<b>How are we doing?</b>
87% fully or partially addressed	80% or more fully or partially addressed	90% or more fully or partially addressed	80% or more fully or partially addressed	FY 10/11 results were based on the follow-up audit of the Sheriff Overtime Review. The Office anticipates continued positive results in this area in FY 11/12 with the HCA/Correctional Medical Follow-Up audit.

**Strategy 3: Hire and retain exemplary staff.**

**PERFORMANCE MEASURE: Continuing Education**

**WHAT:** Number of Training/Education Hours per year, per employee

**WHY:** As performance auditors, it is vital that each employee continue to refine his/her understanding of audit techniques, best practices, and industry standards. This commitment to enhancing the knowledge base of the Department is vital to the quality of the audit analysis and reports produced by the Office.

<b>FY 10/11 Results</b>	<b>FY 11/12 Plan</b>	<b>FY 11/12 Anticipated Results</b>	<b>FY 12/13 Plan</b>	<b>How are we doing?</b>
22.88 hours per employee on average	20 hours per employee	20 hours per employee	20 hours per employee	Due to budgetary constraints, achieving even an average of 20 hours of training per employee is a challenge. In future years, the Office would like to have the budgetary resources to be able to participate in 40 hours of annual Continuing Professional Education (CPE) opportunities.