



O R A N G E C O U N T Y

**AUDITOR-CONTROLLER**

I N T E R N A L A U D I T

**SURVEY OF  
CALIFORNIA COUNTIES'  
INTERNAL AUDIT  
FUNCTIONS  
~2014~**



**Job Number 1178  
Report Date: October 27, 2014**





*Survey of California Counties’  
Internal Audit Functions 2014, Job No. 1178*

---

**TABLE OF CONTENTS**

TRANSMITTAL LETTER .....1  
REPORT ON SURVEY OF CALIFORNIA COUNTIES .....2  
EXECUTIVE SUMMARY .....3  
METHODOLOGY .....4  
SURVEY RESULTS .....5  
1. “Is the Auditor-Controller an appointed or elected position?” .....5  
2. “Who does the internal audit function report to?” .....6  
3. “How many full-time equivalent (FTE) total internal auditors and internal audit managers/directors are in the internal audit function?” .....7  
4. “How many non-auditing administrative support staff are assigned to the internal audit function?” .....8  
5. “Performance/Management Audits” .....9



**JAN E. GRIMES, CPA  
AUDITOR-CONTROLLER**

**ORANGE COUNTY  
AUDITOR-CONTROLLER**

HALL OF RECORDS  
12 CIVIC CENTER PLAZA, ROOM 200  
POST OFFICE BOX 567  
SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569  
www.ac.ocgov.com

**DENISE STECKLER  
CHIEF OF STAFF**

**TONYA RILEY, CPA  
CHIEF DEPUTY AUDITOR-CONTROLLER  
SATELLITE ACCOUNTING OPERATIONS**

**PHILLIP T. DAIGNEAU  
CHIEF DEPUTY AUDITOR-CONTROLLER  
INFORMATION TECHNOLOGY**

**FRANK DAVIES, CPA  
CHIEF DEPUTY AUDITOR-CONTROLLER  
PROPERTY TAX**

**VICTORIA ROSS, CPA  
CHIEF DEPUTY AUDITOR-CONTROLLER  
CENTRAL ACCOUNTING OPERATIONS**

**TRANSMITTAL LETTER**

Job No. 1178

October 27, 2014

TO: Jan E. Grimes, Auditor-Controller

SUBJECT: Survey of California Counties' Internal Audit Functions 2014

---

In response to your request, we have completed a survey of California Counties' Internal Audit Functions as of 2014. The results of the survey are summarized in the attached report.

[SIGNED COPY ON FILE]

Nancy N. Ishida, Audit Manager  
Auditor-Controller's Office

Enclosure

Other recipients of this report:  
Denise Steckler, Chief of Staff, Auditor-Controller



**JAN E. GRIMES, CPA**  
**AUDITOR-CONTROLLER**

**ORANGE COUNTY**  
**AUDITOR-CONTROLLER**

HALL OF RECORDS  
12 CIVIC CENTER PLAZA, ROOM 200  
POST OFFICE BOX 567  
SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569  
www.ac.ocgov.com

**DENISE STECKLER**  
CHIEF OF STAFF

**TONYA RILEY, CPA**  
CHIEF DEPUTY AUDITOR-CONTROLLER  
SATELLITE ACCOUNTING OPERATIONS

**PHILLIP T. DAIGNEAU**  
CHIEF DEPUTY AUDITOR-CONTROLLER  
INFORMATION TECHNOLOGY

**FRANK DAVIES, CPA**  
CHIEF DEPUTY AUDITOR-CONTROLLER  
PROPERTY TAX

**VICTORIA ROSS, CPA**  
CHIEF DEPUTY AUDITOR-CONTROLLER  
CENTRAL ACCOUNTING OPERATIONS

**REPORT ON SURVEY OF CALIFORNIA COUNTIES**

Job No. 1178

October 27, 2014

TO: Jan E. Grimes, Auditor-Controller

SUBJECT: Survey of California Counties' Internal Audit Functions

---

This report summarizes the results of the Auditor-Controller Office's 2014 Survey of California County Internal Audit Functions.

The Auditor-Controller's Internal Audit Unit was asked to obtain current information on the structure of California County Internal Audit functions. This information has been analyzed and summarized in a format designed to aid Auditor-Controller executive management.

The information contained in this report is the property of the County of Orange Auditor-Controller's Office. This information collected in this survey was designed for Auditor-Controller Management's use; however, its distribution is not limited.

[SIGNED COPY ON FILE]

Nancy N. Ishida, Audit Manager  
Auditor-Controller's Office

Attachment:

Other recipients of this report:  
Denise Steckler, Chief of Staff, Auditor-Controller



## *Survey of California Counties' Internal Audit Functions 2014, Job No. 1178*

---

### **EXECUTIVE SUMMARY**

This survey was performed in order to provide the County of Orange Auditor-Controller's Office with current information on the structure of county-wide internal audit functions in comparable California Counties. Our survey of the top 20 California counties by population provided the following results:

#### **The Auditor-Controller Position:**

- The Auditor-Controller is an elected position in 75% of the counties surveyed and appointed in 25% of the counties.

#### **Internal Audit Reporting Structure:**

- The internal audit function reported to the Auditor-Controller in 19 of the 20 counties surveyed and reported to Board of Supervisors in 1 of the 20 counties surveyed.

#### **Internal Audit Coverage per Total County Budgeted Dollars:**

- The counties with the most internal audit coverage based on a ratio of Total Budgeted County Dollars per each internal auditor (i.e., lower budgeted dollars per internal auditor) were: Fresno County, Tulare County, Santa Barbara County, Sonoma County, and Los Angeles County.
- The counties with the lowest internal audit coverage based on a ratio of Total Budgeted County Dollars per each internal auditor (i.e., higher budgeted dollars per internal auditor) were: Santa Clara County, Sacramento County, Contra Costa County, San Joaquin County, and Alameda County.
- The County of Orange (tied with San Bernardino) ranked 13<sup>th</sup> out of the 20 surveyed counties using this comparison method.

#### **Internal Audit Administrative Support Staff:**

- The largest county internal audit functions tended to have administrative support staff. Out of 20 county internal audit functions surveyed, only 6 (including Orange County) had administrative support staff assigned to assist them.
- Of the 6 counties with administrative support staff, the counties with the most efficient utilization of administrative overhead costs were San Francisco County/City and Los Angeles County. The counties with the least efficient utilization of administrative overhead costs were Orange County and San Bernardino County.

#### **Performance/Management Audits:**

- Three of the counties surveyed (15%) had separate performance audit functions that reported to an entity other than the Auditor-Controller.



*Survey of California Counties’  
Internal Audit Functions 2014, Job No. 1178*

---

## **METHODOLOGY**

In order to obtain results that would be comparable to the County of Orange, we surveyed the 20 largest California counties based on population data from the California State Association of Counties (CSAC) website. Although there are 58 counties in California, we did not survey the smaller counties since Orange County was ranked by CSAC as being the third largest county in California based on 2012 population estimates.

### Sources:

The information for this survey was obtained from County websites and/or inquiry of County management. Since the exact number of internal audit staff can be a constantly changing number, we used the number of budgeted staff positions appearing on the County’s organization charts. When information from our survey interviews differed from County organization chart information, we considered the information from interviewees to be the more current information. We utilized County budget information from fiscal year 2014-15. However when the current year’s budget information was not readily available, we used budget information from fiscal year 2013-14.

### Terminology:

In the State of California, the County Auditor-Controller title can vary somewhat among the counties. For example, in the counties of Sonoma and San Bernardino, the County Auditor-Controller’s Office is combined with the Treasurer-Tax Collector Offices. The Auditor-Controller term is used in this survey report to describe the county departments most similar in function to the County of Orange Auditor-Controller’s Office.

The term “internal audit function” as used in this report describes the main county-wide internal audit function which could include internal audit units, internal audit sections, internal audit divisions, or internal audit departments.



## SURVEY RESULTS

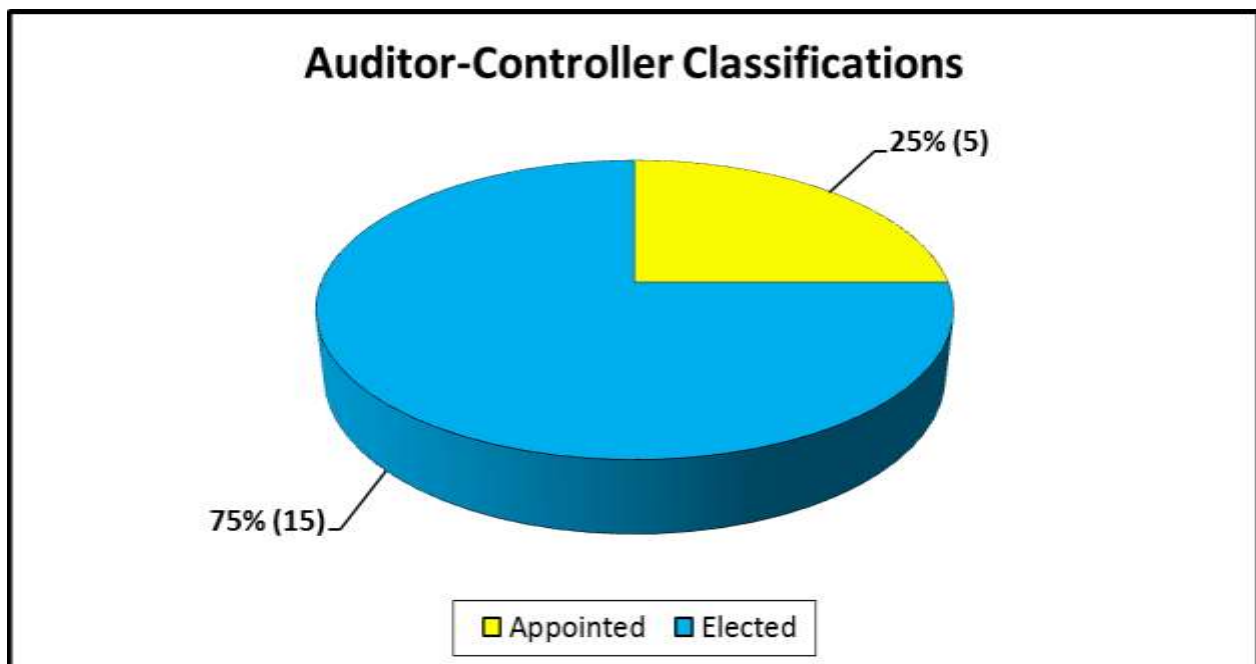
### 1. “Is the Auditor-Controller an appointed or elected position?”

The survey results indicated that for the 20 largest counties included in the sample, the majority of Auditor-Controllers were **elected officials**. The counties with appointed Auditor-Controllers were: Los Angeles, San Diego, Santa Clara, Sacramento, and San Francisco. All of the other 15 counties had elected Auditor-Controllers.

For the 20 counties surveyed, the Auditor-Controllers were:

#### AUDITOR-CONTROLLER CLASSIFICATIONS

Description	Number	Percentage
Elected Positions	15	75%
Appointed Positions	5	25%
Total	20	100%







**Survey of California Counties’  
Internal Audit Functions 2014, Job No. 1178**

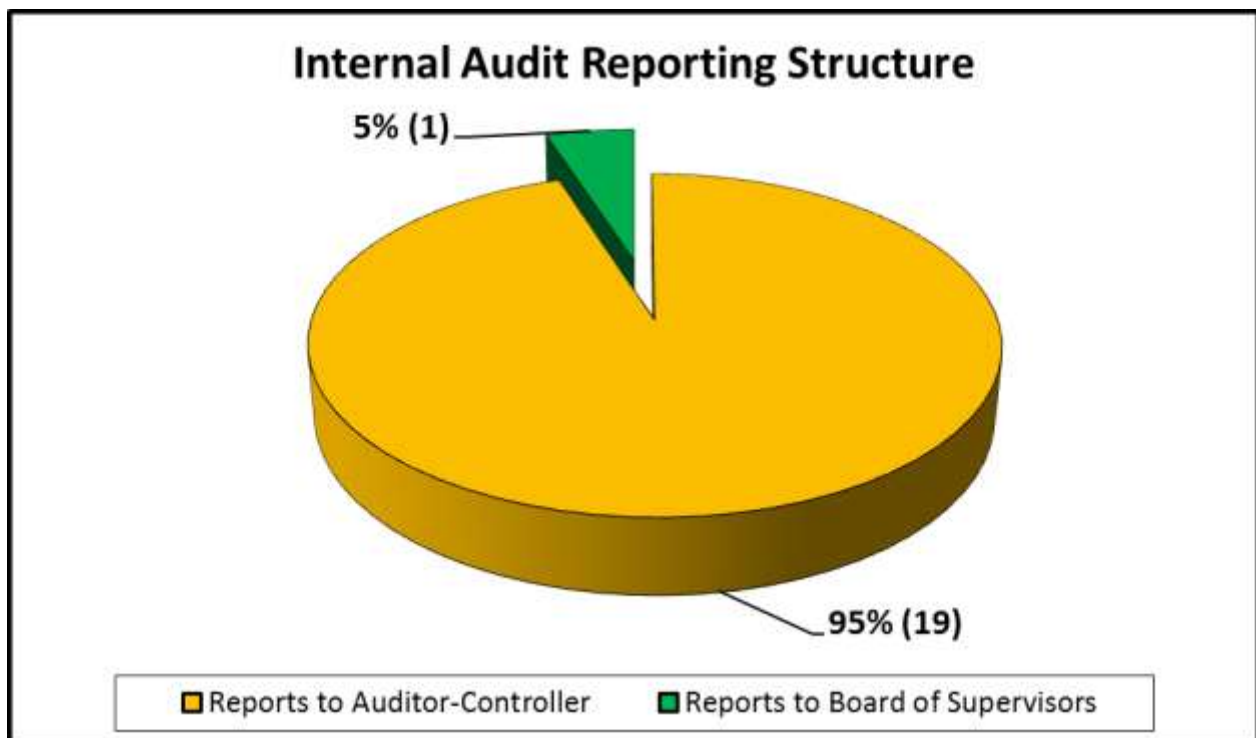
---

**2. “Who does the internal audit function report to?”**

The survey found that there were basically two types of reporting structures for the counties surveyed. The vast majority of internal audit functions reported to the Auditor-Controllers. The County of Orange was the only county in which the internal audit function reported to an entity other than the Auditor-Controller.

**INTERNAL AUDIT REPORTING STRUCTURE**

Description	Number	Percentage
The internal audit function reports to the Auditor-Controller	19	95%
The internal audit function reports to the Board of Supervisors	1	5%
Total	20	100%

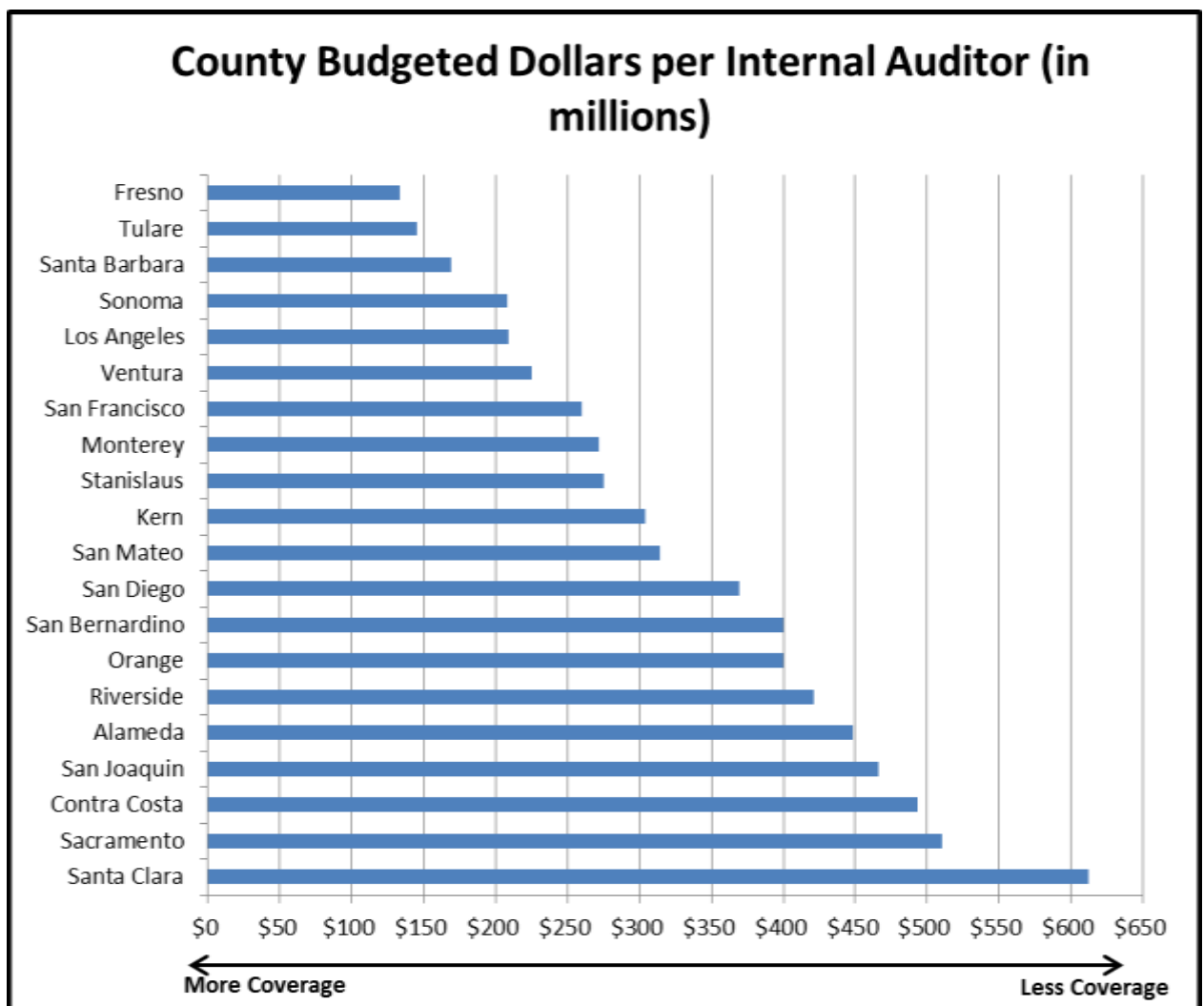




## Survey of California Counties' Internal Audit Functions 2014, Job No. 1178

### 3. “How many full-time equivalent (FTE) total internal auditors and internal audit managers/directors are in the internal audit function?”

In order to compare internal audit coverage levels, we calculated the ratio of total County budgeted dollars per internal auditor. When measuring internal audit coverage using this type of methodology, a lower ratio of County budgeted dollars per professional internal auditor would tend to indicate more audit coverage, and a higher ratio dollar amount would tend to indicate lower audit coverage. Fresno County and Tulare County had the most internal audit coverage since they had the lowest ratios of internal auditors per millions of County budgeted dollars. The County of Orange internal auditor coverage level ranked 13<sup>th</sup> (tied with San Bernardino County) out of the 20 Counties surveyed.





*Survey of California Counties’  
Internal Audit Functions 2014, Job No. 1178*

---

**4. “How many non-auditing administrative support staff are assigned to the internal audit function?”**

The survey found that the larger county audit functions tended to have administrative support staff. Los Angeles County, which had the largest County budget of \$27 billion, also had the largest number of professional internal auditors (129) and internal audit administrative support staff (7). Six (Los Angeles, Orange, San Bernardino, San Francisco, San Diego, and Fresno) counties had administrative support staff levels ranging from 1 to 2.5 FTE. The 14 remaining counties did not have administrative support staff assigned to their internal audit functions.

A high ratio of professional audit staff to administrative support staff indicates a more efficient utilization of administrative overhead costs whereas a low ratio indicates a less efficient utilization of administrative overhead costs.

**INTERNAL AUDIT ADMINISTRATIVE SUPPORT STAFF**

<b>Description</b>	<b>No. of FTE Professional Internal Auditors</b>	<b>No. of FTE Admin. Support Staff</b>	<b>Ratio of Professional Audit Staff to Administrative Support Staff</b>
San Francisco City and County	33	1.5	22.0 to 1
Los Angeles County	129	7	18.4 to 1
Fresno County	15	1	15.0 to 1
San Diego County	13	1	13.0 to 1
San Bernardino County	12	2	6.0 to 1
Orange County	13.5	2.5	5.4 to 1
The remaining 14 Counties included in the survey	Varies from 2 to 9.5	None	Not Applicable



*Survey of California Counties’  
Internal Audit Functions 2014, Job No. 1178*

---

**5. “Performance/Management Audits”**

- a) **Is there a performance/management audit function at your County?**
- b) **If so, who does it report to?**

Of the 20 counties surveyed 9 counties (45%) stated that they conducted performance/management audits. Most of the performance/management auditing was conducted by the Auditor-Controller internal audit functions (30%). However, three counties conducting performance/management audits (15%) had different reporting structures for their performance/management auditing functions.

Three Other Types of Performance/Management Audit Reporting Structures:

1. The County of Orange has a separate Office of the Performance Auditor which reports directly to the Board of Supervisors.
2. The County of Santa Clara Board of Supervisors contracts externally for its Performance/Management audits.
3. The County of Fresno Chief Executive’s Office (CEO) has the County’s performance audit function.

**PERFORMANCE AUDIT**

<b>Description</b>	<b>Number</b>	<b>Percentage</b>
Doesn’t do Performance/Management Audits	11	55%
Auditor-Controller Internal Audit also does Performance Audits	6	30%
The County has a separate Performance Audit Function reporting to an entity other than the Auditor-Controller	3	15%
Total	20	100%



*Survey of California Counties'  
Internal Audit Functions 2014, Job No. 1178*

---

5. (Continued)

The graph below describes whether the surveyed counties performed performance/management audits and if so, whether the performance/management audit functions reported to the Auditor-Controller's Office.

