



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

County Manager's Office

DATE: February 11, 2003

BOARD MEETING DATE: February 25, 2003

TO: Honorable Board of Supervisors
FROM: John L. Maltbie, County Manager
SUBJECT: Proposed Response to 2002-2003 Grand Jury Report

Recommendation

File with the Superior Court the Response to the 2002-2003 Grand Jury Report on San Mateo County's Internal Auditing.

Discussion

On December 4, 2002 the Civil Grand Jury issued its report on San Mateo County's Internal Auditing functions. The attached document presents the proposed responses from the County Manager's Office for your review and approval. The Controller responded directly to the Grand Jury under separate cover on January 20, 2003.

Vision Alignment

This response to the Grand Jury's findings and recommendations keeps the commitment of responsive, effective and collaborative government through goal number 20: Government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain.

San Mateo County's Internal Auditing

Findings:

1. Internal Audit Division Responsibilities

Response: Concur with the responsibilities as outlined in the finding. However, we disagree that the Internal Audit Division (IAD) does not set audit goals related to County revenues. One of the Division's key headline measures is "Dollar value of new revenue/cost savings generated from audit recommendations."

2. Internal Audit Division Performance

Response: Concur and will work with the Controller on developing performance measures that track the amount of time between audit field work, the issuance of the final report and subsequent follow-up by departments. However, we disagree with the underlying premise of the finding that mandated and special project audits do not provide value in terms of revenue generation, cost containment and risk analysis.

3. Benchmarking

Response: Concur that benchmarking can be a valuable tool in assessing program performance.

3. Public Participation

Response: Concur that an improved "whistleblower" process could be developed.

Recommendations:

1. **The Controller should immediately modify the goals of the Internal Audit Division to assure that revenues are maximized and expenses controlled consistent with the public trust.**

Response: Concur.

2. **The Board of Supervisors should seek to amend the County Charter to create an Independent County Auditor reporting directly to the Board.**

Response: Disagree. The County Controller is an independent, elected official who answers directly to the voters of San Mateo County. Furthermore, the County's financial statements are audited by an independent outside auditing firm that is selected on a competitive basis by the County Manager's Office.

3. **Pending voter approval of the Charter amendment, the Board of Supervisors should immediately establish a liaison (independent of the Controller's Office and County management) between it and the Internal Audit Division to monitor implementation of Recommendation 1 above.**

Response: Disagree. As stated in our response to Recommendation 2 above, we believe that the current elected County Controller is independent and reports directly to the voters. However, we support the Controller's recommendation to create a Board Audit Committee to serve as a conduit to the Board of Supervisors and assist in the resolution of audit findings, provide advice on audit division goals and performance measures, and oversee the external audit process.

4. **The Board of Supervisors should commission a study to determine the optimum audit staff level for maximum return for audit dollars spent.**

Response: Disagree. Each year the Controller develops an audit work plan that ensures that all mandated and special project audits, as well as an adequate number of risk assessment audits, are performed during the fiscal year. The Controller has communicated to the Board of Supervisors and the County Manager's Office that staffing levels are sufficient to meet these needs. If, in the future the Controller requests additional audit staff to address workload issues, such requests will be given the same consideration as new position requests from other areas of County government.

5. **The Board of Supervisors should immediately establish a "whistleblower" process. Until such time as the Independent County Auditor position is established, all whistleblower reports and responses should be reported monthly to the Board of Supervisors, with appropriate procedures for confidentiality.**

Response: Concur. The Board of Supervisors and the County Manager's Office will work collaboratively with the Controller in establishing a formal whistleblower process that may include employee and public access via the County's intranet and internet web pages. Once developed, the process would include a formal response procedure and periodic notifications to the Board of Supervisors. The County will provide quarterly updates to the Grand Jury on the progress of designing and implementing the improved process.