

Internal Audit Department

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

PERFORMANCE MEASURE VALIDATION AUDIT OF HUMAN RESOURCES 2005-2006 PERFORMANCE INDICATORS

AUDIT No: 2753
REPORT DATE: JANUARY 16, 2008

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Deputy Director: [Eli Littner, CPA, CIA](#)
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Internal Audit Department

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Internal Audit Department

Providing Facts and Perspectives Countywide

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Letter from Director Peter Hughes



Transmittal Letter



AUDIT NO. 2753 JANUARY 16, 2008

TO: Carl Crown, Director
Human Resources and Employee
Relations

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

SUBJECT: Performance Measure Validation Audit
of Human Resources 2005-2006
Performance Indicators

We have completed our Audit of Human Resources' Performance Indicators for the fiscal year 2005-2006 Results included in the 2007-2008 Business Plan. The final Internal Auditor's Report is attached along with your response to our recommendation.

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.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). As a matter of policy, our **first Follow-Up Audit** will now begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will now begin at 12 months from the release of the original report, by which time **all** audit recommendations are expected to be addressed and implemented. However, we will not perform our follow-up until after the next Business Plan cycle.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

Letter from Director Peter Hughes



We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendation is implemented. When we perform our first Follow-Up Audit after the next Business Plan cycle, we will need to obtain the completed document to facilitate our review.

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.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendation.

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.

ATTACHMENTS

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

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Audit of Human Resources
2005-2006 Performance Indicators
Audit No 2753*

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INTERNAL AUDITOR'S REPORT

AUDIT No. 2753

JANUARY 16, 2008

TO: Carl Crown, Director
Human Resources and Employee Relations

SUBJECT: Performance Measure Validation Audit of Human
Resources 2005-2006 Performance Indicators

Audit Highlight

Based on our audit of the fiscal year 2005-2006 Results reported in your 2007-2008 Business Plan, we rated 67% of your reported Outcome Results as 5 Star. We tested all three (3) Outcome Indicator results and rated two (2) as 5 Star and one (1) as 4 Star.

Scope of Review

We have completed our Audit of Human Resources' 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.



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 67% of your reported Outcome Indicator Results as 5 Star. We tested three (3) Outcome Indicator Results and rated two (2) as 5 Star, and one (1) as 4 Star. One 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 Human Resources results. For the Outcome Indicator Results that were rated a 4 Star, we have provided detail along with recommendations for enhancements over the gathering and reporting of the Outcome Indicator Results in the Findings, Recommendations and Management Responses section of this report.

Acknowledgment

We appreciate the courtesy and cooperation extended to us during the audit by the personnel of the Human Resources 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, reading "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
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



SUMMARY TABLE – VALIDATION RESULTS

Human Resources Fiscal Year 2005-2006 Stated		Internal Audit Validation		
Outcome Indicators	Results	(Highest Rating Possible) 5 Star ★★★★★	4 Star ★★★★	3 Star ★★★
1. "Time to Hire" is a common baseline HR measure that provides an organization with an understanding of how quickly it is able to fill a position once it is vacant.	Implementation of the NeoGov System; continued implementation of the Online Hiring Center.		✓ Finding #1 (See page 4)	
2. Customer satisfaction is one measure of the responsiveness and delivery of HR programs and services to the agencies/departments' business needs.	"Good" or better service rating (average of 3.17 on a scale of 1-4).	✓		
3. Percent of employees using web for open enrollment. This measure will help the Department determine the extent to which employees are utilizing the Web for open enrollment and to manage their benefits package.	50%	✓		



DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

FINDING No. 1 (4 Star)

Human Resources Performance Indicator: "Time to Hire" is a common baseline HR measure that provides an organization with an understanding of how quickly it is able to fill a position once it is vacant.

Human Resources Stated Results: Implementation of the NeoGov System; continued implementation of the Online Hiring Center.

The Board of Supervisors Internal Audit Department validation found that:

- A. The FY 05-06 Outcome Indicator Results do not support the Outcome Indicator. The Outcome Indicator states "Time to Hire is a common baseline HR measure that provides an organization with an understanding of how quickly it is able to fill a position once it is vacant." However, the FY 05-06 Results state "Implementation of the NeoGov System; continued implementation of the Online Hiring Center."
- B. The NeoGov System does not measure "Time to Hire" and efforts have been made to enhance the system functionality. In addition, Human Resources did not complete a calculation of "Time to Hire."

Recommendation No. 1

We recommend that Human Resources for future Business Plans revise the Outcome Indicator or results being reported to complement each other.

Human Resources Response:

The internal audit process highlighted shortfalls between the "Time-to-Hire" goal and the Human Resources Department's direction. The department is heading down a path that utilizes "balanced scorecard" type processes and measurements. The approach is designed to ensure the department supports the County's overall strategic initiatives. However, the "Time-to-Hire" category lacks clarity to this end. The County is dependent upon a vendor supplied tool and its metrics to deliver the requested information. As a result of these findings, I have decided to remove the "Time-to-Hire" category as a business goal. The Human Resources Department identified other goals and objectives that better match its direction and have replaced the "Time-to-Hire" category with others that are more meaningful in the 2008/2009 business plan.



ATTACHMENT A: Human Resources Management Responses



Human Resources Department

Memorandum

Date: January 9, 2008

To: Dr. Peter Hughes, CPA
Director, Internal Audit

From: Carl H. Crown, Director of Human Resources

Subject: Audit No. 2753 Response

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INTERNAL AUDIT DEPARTMENT
2008 JAN 10 PM 2:03

The Internal Audit report, audit number 2753, has been reviewed. This audit covered the time period of 2005/2006. The report identified successes and provided an opportunity to re-evaluate a departmental business goal from that time period.

The audit focused upon three outcome indicators: "Customer Satisfaction"; "Employees Web Use"; and "Time-to-Hire". The categories of "Customer Satisfaction" and "Employees Web Use" were achieved. The "Time-to-Hire" category fell short of its desired outcome.

The internal audit process highlighted shortfalls between the "Time-to-Hire" goal and the Human Resources Department's direction. The department is heading down a path that utilizes "balanced scorecard" type processes and measurements. The approach is designed to ensure the department supports the County's overall strategic initiatives. However, the "Time-to-Hire" category lacks clarity to this end. The County is dependent upon a vendor supplied tool and its metrics to deliver the requested information. As a result of these findings, I have decided to remove the "Time-to-Hire" category as a business goal. The Human Resources Department identified other goals and objectives that better match its direction and have replaced the "Time-to-Hire" category with others that are more meaningful in the 2008/2009 business plan.