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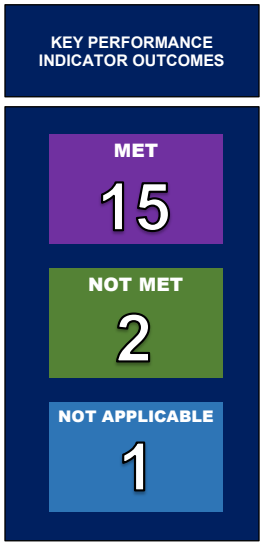


June 18, 2026

TO: Audit Committee

FROM: Oscar Valdez
Auditor-Controller

Robert G. Campbell
Assistant-Auditor-Controller / Chief Audit Executive

SUBJECT: **AUDIT DIVISION - FISCAL YEAR 2024-25 ANNUAL REPORT**

The Auditor-Controller's (A-C) Audit Division (Audit or Division) primarily performed fiscal, information technology (IT), and operational reviews during Fiscal Year (FY) 2024-25, as well as reviews requested by the Board of Supervisors (Board reviews). Audit also completed numerous follow-up reviews of recommendations from past reports, conducted several different special reviews, provided ongoing technical and financial assistance to departments, and regularly consulted with departments regarding their operations, processes, procedures, and controls.

Key Outcomes

Audit produced 98 reports and memos, covering 25 County departments, including the following:

- Issued 13 fiscal, IT, and operational review reports, which resulted in 69 recommendations to improve business processes and internal controls, and ensure compliance with applicable federal, State, and County guidelines.

- Issued three Board review reports and memos. One Board review was the Los Padrinos Juvenile Hall Program Management Review, which resulted in 17 recommendations for improvement, such as using caseload counselors to oversee youth behavioral development to ensure program effectiveness, establishing key performance indicators (KPIs) to evaluate and monitor youth programs, and updating the calendaring process to include protocols and documentation requirements for session cancellations and schedule changes. A summary of each Board review is included on Page 4 of the Annual Report.

- Issued 52 follow-up review reports (25 first follow-ups, 25 second follow-ups and 2 third follow-ups). Audit noted that to department managements' credit, they fully or partially implemented corrective action for 100% of Priority 1 and 79% of Priority 2 recommendations at the time of our first follow-up reviews.

- Collaborated with County departments in monitoring 16 Master Agreement reviews performed by independent contractors. This consisted of assisting departments in preparing and refining their Statements of Work, monitoring the progress of the Work Orders to ensure deadlines were met, and preparing extensions as necessary. Audit also reviewed the contractors' draft reports to ensure they appropriately addressed findings and prepared Board Letters summarizing the results.

- Issued 14 special review reports and memos during the year, including Proposition A cost analyses, cash counts, and financial condition analyses.

Attachment I details our report. For specifics on Audit's progress in meeting and achieving their established Key Performance Indicators, see Attachment II.

If you have any questions please call us, or your staff may contact Jeffrey Ho at jeho@auditor.lacounty.gov.

OV:CY:RGC:JH:ZP:cc

Attachments

c: Joseph M. Nicchitta, Chief Executive Officer

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Jeffrey Ho
DIVISION CHIEF

AUDIT DIVISION

Report #K26AX

AUDIT DIVISION - FISCAL YEAR 2024-25 ANNUAL REPORT

Summary

The Auditor-Controller's (A-C) Audit Division (Audit or Division) primarily performed fiscal, information technology (IT), and operational reviews during Fiscal Year (FY) 2024-25. Audit also completed follow-up reviews of recommendations from past reports, conducted several different special reviews (e.g., Proposition A cost analyses, cash counts), provided ongoing technical and financial assistance to client departments, and regularly consulted with client departments regarding their operations, processes, procedures, and controls. Audit employed 35 professional staff during FY 2024-25 that:

- Issued 98 reports and memos, including 13 initial audit reports (fiscal, IT, and operational reviews) and 52 follow-up reports on recommendations from past reviews. A detailed breakdown of these reports is included in the Audit Activities and Reporting section below.

- Completed three reviews requested by the Board of Supervisors or Audit Committee (Board reviews). In addition, Audit completed or was in the process of conducting 19 reviews involving the Board's nine major priorities (i.e., child protection; health integration; Care First, Jails Last; homelessness; environmental health; immigration; sustainability; anti-racism; and poverty alleviation). The Division also regularly completes fiscal, IT, and operational reviews at County departments that are directly involved with the nine priorities.

- Administered the electronic Internal Control Certification Program (eICCP) that is used by County departments to self-assess internal controls and compliance with the County Fiscal Manual (CFM) over areas, such as cash, purchasing, payroll, and IT.

Confirmation of Organizational Independence

California Government Code Section 1236 requires county internal audit functions to conduct their work in accordance with specific standards prescribed by the Institute of Internal Auditors (IIA) or Government Auditing Standards issued by the Comptroller General of the United States. The Audit Division operates under the IIA's Global Internal Audit Standards (Standards).

IIA Standard 7.1 indicates that the Chief Audit Executive must confirm to the Board the organizational independence of the internal audit function annually. Audit has established safeguards to maintain independence and the quality of the internal audit function and ensure that the various roles and responsibilities of the A-C do not conflict. As such, Audit confirms that the Division is in compliance with the IIA Standards as noted in the following assertions:

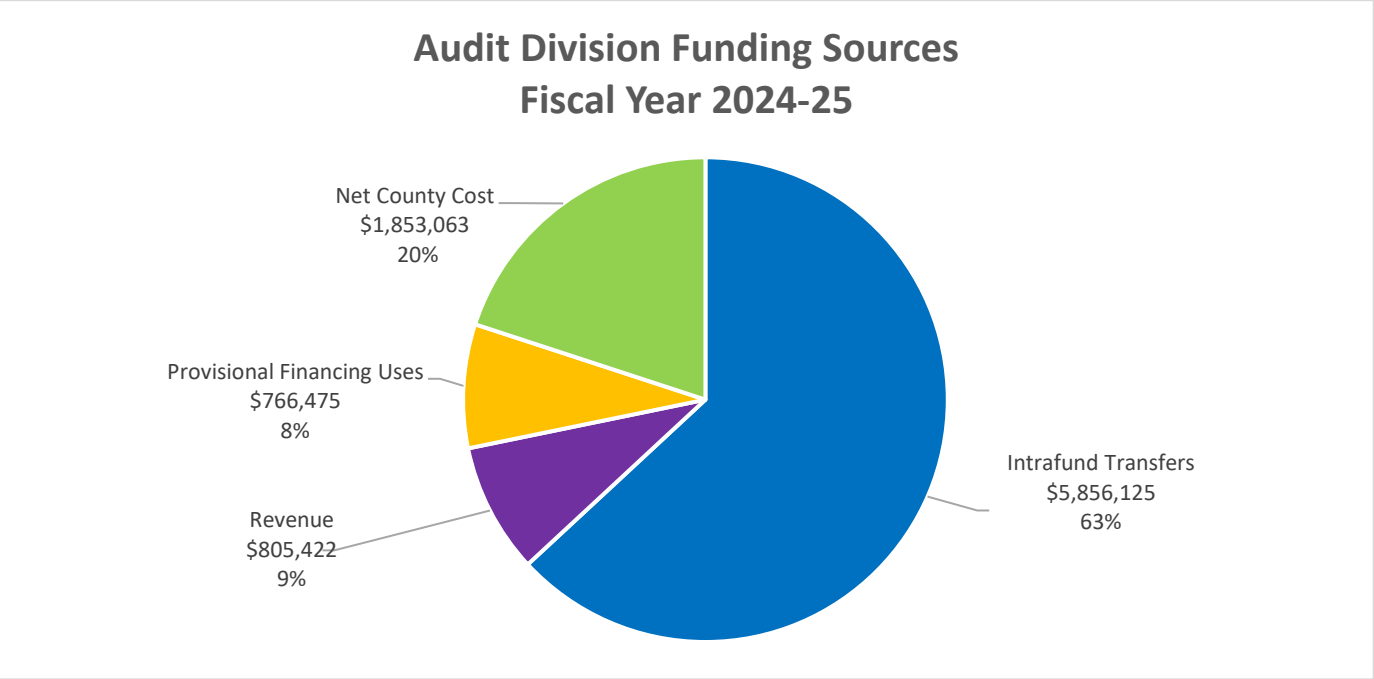
- Audit's organizational structure allows it to fulfill its responsibilities as an independent audit and advisory function. Audit is managed by an Assistant Auditor-Controller. The Assistant Auditor-Controller reports to the Board-appointed Auditor-Controller, and has direct access to the Audit Committee.
- The Division reports all auditing activities and results to the Audit Committee.
- Audit staff do not have direct operational responsibility or authority over any activities they audit.
- All non-confidential audit reports are distributed to the Board and posted to the A-C website timely.

- An external quality assessment review is conducted every five years by a qualified team independent of the County. The IIA conducted an External Quality Assessment during FY 2023-24 and the Division received the highest possible rating of "Generally Conforms."

Budget/Funding

As presented in the chart below, Audit funding during FY 2024-25 was approximately $9.3 million, 72% of which came from billing clients (63% in Intrafund Transfers and 9% in revenue) for audit services, 8% from Provisional Financing Uses, and the remaining 20% was Net County Cost.

- **Intrafund Transfers (IFT):** Funding from billing departments that are largely subvention funded (e.g., Department of Health Services and Department of Mental Health).
- **Revenue:** Funding from billing departments that receive restricted funding from real property assessments (e.g., Department of Public Works and Fire Department).
- **Provisional Financing Uses (PFU):** Funding allocated to conduct unplanned Board reviews.
- **Net County Cost (NCC):** Funding available to audit General Fund departments, such as the Sheriff's Department and the Probation Department.



Audit's budgetary funding is discussed further in the Audit Challenges Section below.

Audit Activities and Reporting

During FY 2024-25, Audit issued 98 reports and memos, covering 25 departments, while also providing departments with technical assistance (e.g., financial, managerial, IT). A summary of these reports and memos categorized by type of review is included on the following page:

Audit Division – Reports/Memos Categorized by Review Type			
Review Type	**Number of Reports**	**Average Hours**	**Average Cost**
Fiscal Reviews: Reviews of department fiscal processes including purchasing, contracting, payroll, personnel, and trust funds.	6	782	$164,667
IT Reviews: Reviews of department information technology and security processes and critical department information systems.	3	1,318	$243,455
Operational Reviews: Reviews of department business operations and programs.	4	801	$154,340
Board-Requested Reviews: Reviews conducted at the request of the Board of Supervisors or Audit Committee.	3	445	$95,975
Follow-Up Reviews: Reviews to determine whether departments implemented recommendations to correct internal control deficiencies or weaknesses from past audit reports.	52	297	$60,204
Master Agreement Reviews: Oversight and monitoring of reviews conducted by Master Agreement contractors.	16	106	$23,550
Special Reviews: Other reviews including Proposition A cost analyses, cash counts, and financial condition analyses.	14	238	$48,814

Audit's 13 fiscal, IT, and operational reviews averaged 912 hours, which is slightly less than the previous two years. Audit has continued to see sustained efficiency improvements since implementing a series of Blue Sky Initiatives (BSI) in 2017 that transformed the audit and follow-up review process. The average hours to complete the 13 reviews were 42% less than similar reviews from FY 2016-17 (year before BSI implementation). In addition, the average hours to complete the 52 follow-up reviews were 81% less than similar reviews from FY 2016-17. These improvements are discussed further in the KPI section on Page 8.

As presented in the chart below, nearly half of the Division's audit activity hours were dedicated to follow-up reviews. Fiscal, IT, and operational reviews made up the next largest percentage of audit hours.

Audit Division – Auditing Hours Categorized by Review Type	
Review Type	**Percentage**
Follow-Up Reviews	46%
Fiscal/IT/Operational Reviews	35%
Special Reviews	10%
Master Agreement Reviews	5%
Board-Requested Reviews	4%

Audit issued 87 recommendations during FY 2024-25 (69 of which were from fiscal, IT, and operational reviews). Audit uses professional judgment to assign rankings (i.e., Priority 1 through 3) to issues and recommendations to highlight the relative importance of some issues over others, based on the likelihood of adverse impacts if corrective action is not taken, and the seriousness of the adverse impact. The priority rankings assigned to the 87 recommendations are as follows:

Audit Division – Priority Ranking Level		
Priority Ranking	**Recommendations**	**Percentage**
Priority 1 – Requires Immediate Corrective Action	**23**	**27%**
Priority 2 – Requires Prompt Corrective Action	**55**	**63%**
Priority 3 – Requires Timely Corrective Action	**9**	**10%**
Total	**87**	**100%**

The percentage of recommendations assigned each priority ranking have remained relatively consistent over the past three years, which underscores the continual need for countywide audit presence.

Commonly Noted Audit Issues

As mentioned earlier, Audit's 13 fiscal, IT, and operational review reports included 69 recommendations to improve and strengthen processes and controls, and ensure compliance with applicable federal, State, and County guidelines. Weaknesses in management monitoring of operations, processes, procedures, and controls to ensure they are functioning properly continue to be the most common issue identified during reviews (noted in 92% of reviews). Another common issue is the need for departments to establish or update detailed written standards and procedures to adequately guide staff in the performance of their duties (noted in 77% of reviews). In addition, performance management processes are an area for improvement regularly identified during reviews, including the need for departments to establish specific and measurable KPIs (noted in 31% of reviews).

Audit continues to remind department management of their responsibilities for designing, implementing, and monitoring effective/efficient processes and systems of internal controls, and that the Division's audit engagements are only intended to augment, not replace, department management's responsibilities. The Division also reinforces these responsibilities with departments in the guidelines for the eICCP. In addition, Audit continually conducts follow-up reviews (52 in FY 2024-25) of recommendations from past reports to ensure departments implement appropriate corrective action to address these and other weaknesses identified.

Board of Supervisors Reviews

Audit regularly conducts reviews and special assignments throughout the year at the request of the Board or Audit Committee in addition to the Division's other planned assignments. The Division completed the following three Board reviews during FY 2024-25:

Probation Department Los Padrinos Juvenile Hall Program Management Review

Audit reviewed the Probation Department's (Probation) processes and controls for overseeing, monitoring, and reporting youth programs and activities scheduled at Los Padrinos Juvenile Hall to determine whether they provide reasonable assurance to management and oversight entities that programs are delivered as scheduled, properly documented, and aligned with applicable requirements. The review included Probation's procedures for documenting when program facilitators enter the facility, tracking youth participation in programs provided by Probation and the Department of Mental Health (DMH), internal monitoring systems, and management controls to ensure accurate reporting of program attendance, duration, and outcomes. Audit also reviewed and analyzed the calendar-creation process, collaboration with service providers, and training for staff to ensure proper program administration. In addition, the audit evaluated Probation's Corrective Action Plan submitted in response to the Board of State and Community Corrections' June 28, 2024, notice of noncompliance. Audit identified 17 recommendations to improve program coordination, delivery, and monitoring to ensure program delivery is consistent with the scheduled calendar.

Los Angeles County Government Structure, Ethics and Accountability Charter Amendment – Fiscal Impact Statement

Audit issued the fiscal impact statement for the Los Angeles County Government Structure, Ethics and Accountability Charter Amendment for the November 2024 General Election. The fiscal impact statement evaluated the Charter Amendment's effect on County revenues and expenditures.

Audit of Workers' Compensation Claims Third-Party Administrators

Audit conducted a financial viability review of Workers' Compensation Claims Third-Party Administrators (i.e., Sedgwick Claims Management Services, Inc., York Risk Services Group). This annual review of

bond ratings and financial ratios included reviewing credit ratings and comments from Standard and Poor's and Moody's Ratings, and calculating the firm's asset-to-liability ratio and other ratios often used to determine if the company is showing signs of financial distress. Audit issued a memo to the Chief Executive Office (CEO) detailing the results of the financial viability review.

Notable Reviews/Special Assignments

During FY 2024-25, Audit worked closely with various County departments to provide audit and advisory assistance in various technical areas, including strengthening of controls and processes, development of new policies and procedures, and in-depth investigation and analysis. Audit staff are very knowledgeable regarding County operations, processes, procedures, controls, and managerial issues, and are often requested to be involved in emerging and strategic issues impacting the County. Below are some notable reviews and special assignments this fiscal year involving Audit:

Department of Children and Family Services System Development Review

Audit reviewed the Department of Children and Family Services (DCFS) System Development processes and controls to determine whether they provide reasonable assurance to management that systems and applications are developed and implemented in accordance with CFM requirements and County IT Standards. Audit identified several areas for improvement that involved strengthening DCFS' system development processes, including establishing documentation controls to provide evidence and assurance that staff identified and management approved and implemented all applicable system security requirements in new systems; enhancing end user training processes to ensure training is documented/logged to support all system users completed training prior to obtaining full system access; establishing documentation controls to support deployment strategy evaluation and selection, including factors considered such as deployment risk/cost, stakeholder input, and rollback plans, and management's review and approval of the system development strategy. DCFS reported 23 systems in development, and identified six critical systems currently in operation that access, store, and/or transmit sensitive County or client data.

Office of the Assessor Institutional Property Tax Exemptions Review

Audit reviewed the Office of the Assessor's (Assessor) procedures and controls over institutional property tax exemptions (exemptions) to determine whether they provide reasonable assurance to management that Assessor's processes enable them to process exemptions appropriately, accurately, and timely; provide key stakeholders with timely, accurate, and reliable exemption information to support their operations; management and staff have sufficient written guidance for administering exemptions; management regularly evaluates processes and controls over administering exemptions; and management periodically measures performance against desired outcomes/results. Audit identified areas for improvement, which include establishing timeframes for key operational practices, establishing a process for periodically verifying property use of established claimants, and developing a process to ensure exemption claims received are entered in the Assessor's Major Exemptions Database timely. Assessor processes more than 15,000 first-time claims, annual claims, and notices annually, which reduces property taxable values by approximately $65.8 billion, resulting in approximately $658 million in tax savings for welfare, church, and religious organizations.

Several Reviews of Board of Supervisors Priorities

Audit completed or was in the process of conducting 19 reviews involving the Board's nine major priorities. The nine priorities include child protection; health integration; Care First, Jails Last; homelessness; environmental health; immigration; sustainability; anti-racism; and poverty alleviation. One example of a review involving Board priorities is the DMH Psychiatric Mobile Response Teams

Review. In addition, Audit regularly completes fiscal, IT, and operational reviews at County departments that are directly involved with the nine priorities.

Audit Challenges

Audit faces several challenges, including those noted below, many of which are recurring issues that have been disclosed in prior Annual Reports. Audit continues to seek solutions to these issues, and to minimize their impacts.

- **Misalignment and Reduction of Audit Resources** – Audit's funding mechanism does not allow the A-C to develop an audit plan solely based on risk. As mentioned on Page 2, 72% of Audit's current funding is dependent on directly billing IFT and Revenue departments fixed agreed-upon dollar amounts each year for audit services, regardless of the relative risk of operations in those departments. In order to generate the revenue to pay for Audit Division staffing and meet our budget, this structure requires conducting audits at departments that have funding to pay for them, and not necessarily at departments where there is a greater risk. As a result, Audit performs fewer, less comprehensive, and less frequent reviews of controls and operations at non-billable NCC (i.e., General Fund) departments (including follow-ups of previous reviews) than we do of billable departments. General Fund departments that receive fewer audit resources under this funding model include highly prominent and impactful County operations such as the Sheriff, Probation, and the Assessor.

  Compounding this misalignment of funding relative to risk is a curtailment that was imposed on Audit operations in FY 2020-21, where $1.5 million in NCC funding for audits of General Fund departments was cut. This funding structure was created in March 2010 when the Board ordered the CEO to establish a new financing structure to allow for risk-based audits. The CEO implemented the Board's directive by permanently removing NCC from various general fund departments and transferring it to the A-C to provide for risk-based audits in those departments. That structure continued until the curtailments were imposed.

  While the A-C has requested and received one-time funding in each budget since the curtailment to backfill the cut, Board Policy prevents the use of one-time funding for ongoing costs, and the uncertain nature of that one-time funding stream impairs our ability to fill vacancies or provide continuity of Audit services for these departments in the future. For perspective, the curtailed amount constitutes approximately 81% of all Audit funding for General Fund departments, and was imposed during a period when the size and complexity of General Fund departments and their operations expanded significantly. Without recurring and fixed sources of funds to provide audit and assurance services to General Fund departments, our ability to achieve a risk-based audit plan or appropriately address relative risks in these critical areas is significantly impacted. It should also be noted that the balance of this NCC funding for General Fund department audits was included in the A-C's curtailment scenario for FY 2025-26. If taken, that curtailment would eliminate the balance of funding for audits of General Fund departments and could result in the elimination of all audits and follow-up work at the Sheriff, Probation Department, CEO, Assessor, and other General Fund departments.

- **County Fiscal Issues** – Current County fiscal challenges pose a significant risk to the sustainability of Audit Division and County operations. Not only has the curtailment discussed above impacted our ability to conduct audits of high-risk areas at General Fund departments, but billable departments have also started requesting reductions or complete elimination of funding for audit services. Should these reductions materialize, there is an increased risk of significant internal control weaknesses going undetected, which can erode the County's control framework, undermine accountability, and increase the likelihood of financial, reputational, and service delivery failures.

- **Audit Division Staff Turnover and Recruiting Challenges** – Audit has experienced significant staff turnover, particularly at the management and supervisory levels, which are critical to maintaining the volume and quality of current audit services and for training and developing newly hired auditors. The Division also has numerous vacancies at entry and intermediate levels. Although recent recruitment efforts have been successful, they have not been sufficient to compensate for the turnover the Division has experienced. Specifically, Audit hired three entry-level auditors while five experienced auditors and audit managers left the Division.

  These issues are attributable at least in part to structural challenges facing the accounting profession, including significant year-over-year declines in students entering this field of study, seasoned mid-career professionals leaving the profession for more lucrative and less demanding career paths, and increased competition for talent from professional services and accounting firms, which continue to see very high demand for auditing and accounting professionals at all levels. While Audit continues to work with A-C's Administrative Services Division and the Department of Human Resources to explore opportunities to enhance recruiting, under the most optimistic scenario, it will take several years before the Division can hire and sufficiently train staff to meaningfully address our vacancy rate, which currently stands at 38%. If we experience additional attrition, this will compound the challenges we face in maintaining audit coverage and rebuilding capacity.

- **Client Department Staff Turnover and Shortages** – Audit experienced delays in completing some reviews due to staff turnover and shortages at client departments. Due to these staffing issues, departments have needed more time to respond to Audit's questions and information requests. In addition, Audit has had to spend additional time meeting with new client department staff to provide guidance on our audit and follow-up processes, and to obtain relevant information. Audit anticipates that this challenge will be ongoing as experienced department staff continue leaving the workforce.

- **Client Audit Fatigue** – Some IFT and Revenue departments have expressed concerns with the number of audits at their departments since each audit takes staff/management time away from their normal duties/responsibilities. IFT and Revenue department managers indicated that some of their operations already have a shortage of staffing (as discussed above) and that additional audits result in a drain on limited resources.

- **Unplanned Assignments** – The Division completed seven unplanned assignments (e.g., Board requested reviews, Proposition A cost analyses) during FY 2024-25. These assignments often have firm deadlines and require Audit to reallocate staffing resources from other existing engagements. These engagements are frequently placed on hold to complete the unplanned work, which negatively impacts audit completion timeframes and hours.

- **Problematic Audit Engagements** – County executives and stakeholders regularly request that the Division conduct reviews in situations where an audit engagement may not be an ideal or appropriate solution. These situations include, but are not limited to, auditing/correcting known issues that have occurred at departments (e.g., news articles that have already identified problems in detail), obtaining detailed information from departments, and providing advice on areas outside of Audit's realm of expertise. These situations can often be more effectively addressed by working with department management and/or business process owners directly. Enlisting Audit can at times delay departmental corrective actions and unintentionally absolve department management of some of their responsibilities by shifting some responsibility and accountability to Audit, in violation of Auditing Standards and CFM Sections 1.0.2 and 1.0.4.1. The Division will continue to advocate for more appropriate solutions when these situations arise.

Key Performance Indicators

As part of the BSI innovations developed in 2017, Audit Division developed the Balance Scorecard Key Performance Indicators covering 18 KPIs, which measure and manage the value and cost-effectiveness of Audit's services based on overall performance in the following four perspectives/categories detailed below:

I. Providing Client Centric Services
II. Ensuring Service Quality
III. Assuring Cost Effectiveness
IV. Fostering Innovation

Audit has made considerable progress in meeting and achieving the established KPIs. As detailed in Attachment II, Audit met 15 (88%) of the 17 KPIs applicable to the Division. One KPI regarding fraud referrals was not applicable in FY 2024-25. Audit is committed to continuous improvement and meeting the two outstanding KPIs. Highlights for each of the four KPI categories are discussed further below and as mentioned, the status of all 18 KPIs are included in Attachment II.

I. Providing Client-Centric Services

As part of Audit's quality assurance and improvement program, Audit requests that all client departments complete a survey on the Division's timeliness, professionalism, relevance, and clarity/communication with the department to measure their satisfaction with the quality of Audit's services and work product. The Division achieved a "Strongly Agree/Agree" rating of 100% in each of the four surveyed categories and received positive feedback indicating that objectives were met.

II. Ensuring Service Quality

Audit strives to provide high-quality services by planning and conducting audits that add value to their client departments' functions/services. The Division prepares an Audit Plan based on an assessment of relative risks, Board initiatives, and client requests. In addition, Audit surveys department management to solicit information regarding current issues/concerns and includes the results from the most recent IT Policy and IT Systems Risk Assessments. The Audit Plan is then submitted to the Audit Committee for review and approval. The Audit Committee approved Audit's FY 2024-25 Annual Audit Plan in August 2024.

Value-added client services are evidenced by management's agreement and subsequent implementation of each recommendation. Timely implementation of recommendations ensures control concerns are addressed, thereby expediting efficiencies, and reducing relative risks. During FY 2024-25, Audit noted that department management fully or partially agreed to 98% of all audit recommendations at the time of report issuance.

Audit also noted that to management's credit, they fully or partially implemented corrective action for 100% of our Priority 1 and 79% of our Priority 2 recommendations from the first follow-up reviews (generally within six months from the date of the audit report) we issued in FY 2024-25.

III. Assuring Audit Cost Effectiveness

To reduce hours involved in completing assignments, the Division overhauled audit and follow-up review processes as part of its BSIs and re-trained staff to focus auditing efforts on reviewing and evaluating internal control procedures and process design, rather than performing detailed testwork on a limited sample of historical transaction documents. This resulted in broader, forward-looking recommendations and significantly reduced the amount of time needed to complete reviews.

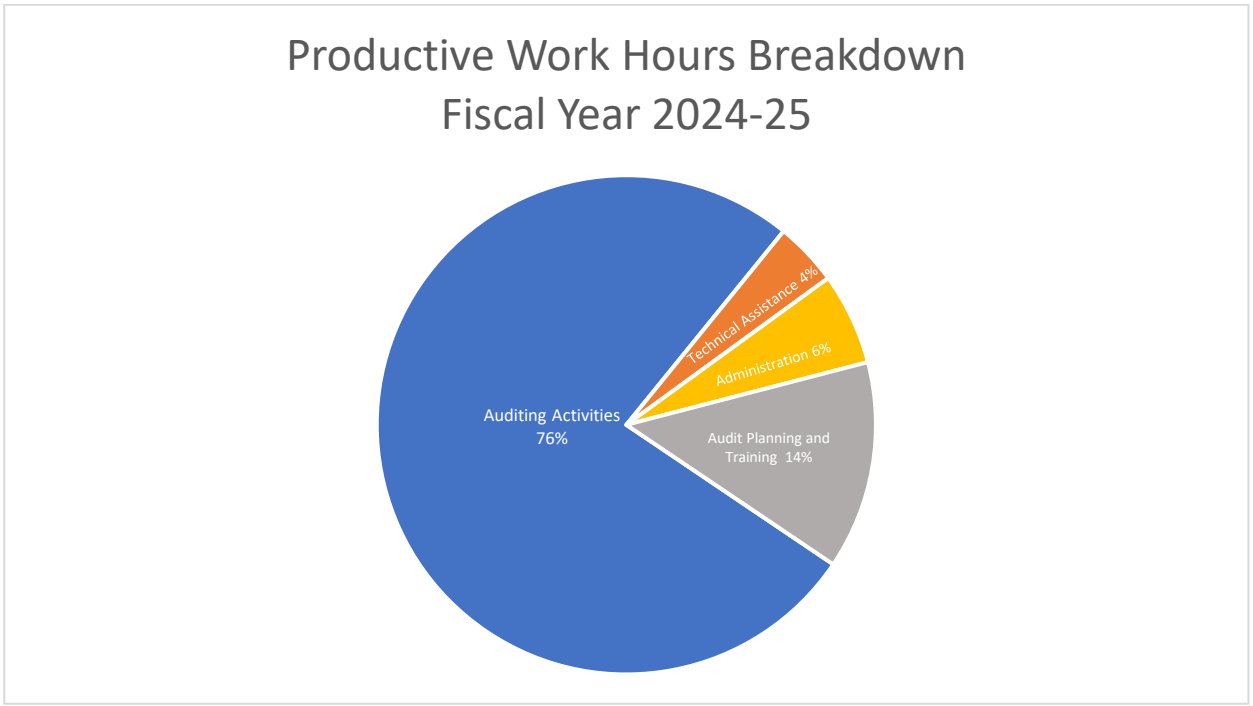
Audit continually compares current audit and follow-up review hours to similar reviews from FY 2016-17 (year before BSI implementation) to evaluate the impact of BSIs on audit hours. Audit has continued to see sustained efficiency improvements since implementing BSIs, as discussed below:

- **Fiscal, IT, and Operational Reviews:** Audit completed 13 fiscal, IT, and operational reviews in an average of 912 hours, which is 42% less than similar reviews from FY 2016-17.

- **Follow-Up Reviews:** Audit completed 52 follow-up reviews in an average of 297 hours, which is 81% less than similar reviews from FY 2016-17.

Audit also monitors hours by service area and evaluates the proportion of hours dedicated to direct client services. The chart below indicates the number of hours Audit spent providing services in the following key areas of work performed.

Auditing Activites	Technical Assistance	Administration	Audit Planning and Training
Conduct reviews of County departments to ensure adequate internal controls are maintained over department operational, financial, and information technology processes.	Provide other core services to County departments including financial, managerial, accounting, and eCAPS technical assistance.	Perform miscellaneous administrative tasks, conduct staff evaluations, and assist with Audit's recruitment efforts, which are not direct core Audit functions.	Development and modification of the Audit Plan, BSI, and KPI implementations. Provide Audit Division staff with training to develop professional auditing skills.



As indicated, Audit Activities and Technical Assistance comprise approximately 80% of the total staff time charged for FY 2024-25. The remaining 20% of time is attributed to Administration (e.g., miscellaneous administrative activities/tasks, performance evaluations, and recruitment assistance) and Audit Planning and Training.

IV. Fostering Innovation

The A-C is deeply committed to developing and investing in the professional development of its employees and is continuously exploring new ways to motivate employees to take advantage of certification opportunities. Currently, 63% of all Audit staff possess one or more professional licenses and/or advanced degrees. Specifically, 87% of audit managers and 45% of audit staff have a relevant professional certification. In addition, 46% of the remaining Audit staff have earned credit and/or are working to obtain a professional license, which includes the following:

- Certified Public Accountant
- Certified Internal Auditor
- Certified Information Systems Auditor

During FY 2024-25, the A-C continued to cover memberships with the IIA for Audit employees who possess or are pursuing relevant professional licenses. These memberships allow employees to access a variety of resources, such as the IIA Standards and Code of Ethics implementation guides, and access to interactive presentations led by professionals on emerging issues/trends that can cultivate and sustain their professional body of knowledge.

AUDIT DIVISION
KEY PERFORMANCE INDICATORS
FISCAL YEAR 2024-25

Key Performance Indicator (KPI)		Target(s)	KPI Met	Results
I. Providing Client-Centric Services				
1	Client Satisfaction Surveys	Achieve an average rating of 80% or better in each category surveyed.	**Met**	Audit Division (Audit or Division) achieved a "Strongly Agree/Agree" rating of 100% in each of the four surveyed categories (e.g., timeliness and professionalism) during Fiscal Year (FY) 2024-25 and received positive feedback indicating that objectives were met.
2	Responsiveness to Board of Supervisors' (Board) and Audit Committee Special Requests	1) Start audit work on Board and Audit Committee requests within two weeks of the request, unless otherwise agreed upon. 2) Release a draft report within six months of the request or within another agreed-upon timeframe.	**Met**	Audit issued three reports based on Board and Audit Committee requests during FY 2024-25. All three were started within two weeks of the request from the Board and Audit Committee, and the corresponding draft reports were released within six months of the request or within another agreed-upon timeframe.
3	Breadth of Audit Coverage	Audit presence in 40% of County departments each fiscal year.	**Met**	The Division had an audit presence in 68% of County departments during FY 2024-25.
4	Transparency of Audit Function	Post all non-confidential Board reports to the Internet within two business days of issuance.	**Met**	All non-confidential Board reports issued by Audit in FY 2024-25 were published to the Internet within two business days of issuance.
5	Referrals to the Office of County Investigations (OCI)	Refer observations of potential fraud, waste, and abuse to OCI within 90 days of discovery.	**N/A**	The Division had no referrals to OCI during FY 2024-25.
II. Ensuring Service Quality				
6	Audit Recommendations Agreed to by Management	80% of recommendations fully or partially agreed to by management at time of report issuance.	**Met**	98% of all audit recommendations were fully or partially agreed to by department management at the time of report issuance.
7	Audit Recommendations Implemented/Closed	50% of recommendations addressed to County departments implemented or closed by completion of the first follow-up review.	**Not Met**	36% of recommendations addressed to County departments were fully implemented by completion of the first follow-up review (generally within six months of the date of the audit report). However, departments made progress toward implementation in that 84% of all recommendations were either fully or partially implemented by the completion of the first follow-up review.
8	Audit Plan Provided to Audit Committee	1) Annual Audit Plan is provided to the Audit Committee, and 2) Substantive updates to the Audit Plan are provided to the Audit Committee.	**Met**	The Audit Committee received and filed Audit's FY 2024-25 Annual Audit Plan in August 2024 and was kept informed of any substantive updates. Audit developed a process to disclose changes/updates to the Audit Plan to the Audit Committee by implementing the use of the "Unplanned Audit/Consulting Request" form, which is discussed and reviewed at the monthly Audit Committee meetings. In addition, Audit provides a full status of the Audit Plan and the next ten reviews scheduled to the Audit Committee on a monthly basis.
9	Quality Assessment Reviews	Complete an external quality assessment review at least once every five years, resulting in an opinion of *Generally Conforms.*	**Met**	The Auditor-Controller's (A-C) Audit Division underwent an external quality assessment review by the Institute of Internal Auditors (IIA) Quality Services, LLC during FY 2023-24. Audit presented the results of their external quality assessment to the audit committee on July 17, 2024, and the report indicated

Key Performance Indicator (KPI)		Target(s)	KPI Met	Results
				that overall, Audit generally conforms with the IIA standards.
10	Timely Audit Corrective Action Implementation Report (CAiR) Follow-ups	75% of follow-ups are initiated within 12 months of original report issuance.	**Met**	Audit initiated first follow-up reviews timely (e.g., within 12 months of the original report issuance or other appropriate timeframe) for 23 of 25 (92%) original reports issued.
11	Timely Report Issuance	Complete 75% of audits within six months as measured from the start of fieldwork to issuance of draft report to the client department.	**Not Met**	59% of audits were completed within six months from the start of fieldwork to issuance of the draft report to the client department. The primary factor contributing to delays in completing audits involves the inherent nature of internal auditing itself and the Division's approach to maintaining high levels of staff productivity despite those characteristics. Internal auditors regularly engage in several rounds of dialogue with clients throughout each phase of the audit process (e.g., process mapping, issue and risk identification, reporting) to obtain an accurate and thorough understanding of the areas under review. They also encounter delays in receiving information from clients and client staffing issues (e.g., turnover, shortages) that present challenges to readily obtaining an understanding of audit areas. As a result, there are often periods during an audit where minimal progress is made. Audit Division staff experience these aspects of internal auditing on nearly every engagement. To ensure Audit staff remain productive on value-added activities (i.e., actual audits versus administrative or other inconsequential work), they conduct several audit engagements concurrently. This pushes out completion timeframes for each assignment since there are often instances where staff have work that is ready to be performed on multiple assignments at the same time. Compounding this issue is the addition of unplanned high-priority assignments (e.g., Board-requested reviews, Proposition A cost analyses) that consume staff efforts and further push out completion timeframes on other outstanding assignments. In the past, the potential impact of delayed reports would have involved outdated information in the report itself. However, Audit's current practices largely mitigate this potential impact. The Division's audit methodology is process-based and reflects the current state of processes as of the reporting date (including any department-reported corrective action). This differs from a transactional-based methodology (e.g., sampling), where the report may include transactional issues from years past. In addition, Audit staff notify departments of issues when they are identified during the audit process so they can begin taking corrective action even though a report has not yet been issued. Audit has historically struggled to meet this KPI and determined that changes are necessary to better align with the nature of auditing and divisional priorities (e.g., responsiveness to emergent situations, maintaining staff productivity). Moving forward, the KPI target will be completing 80% of assignments

Key Performance Indicator (KPI)		Target(s)	KPI Met	Results
				within approved timeframes (Audit staff are already required to obtain management approval for deviations from original budgets/due dates).
III.	**Assuring Cost Effectiveness**			
12	Percentage of Chargeable Audit Time	80% of staff Productive Work Hours (PWH) charged to audits or consulting engagements.	**Met**	80% of staff PWH were charged to audit or consulting engagements (e.g., auditing activities and technical assistance to departments).
13	Jobs Completed Within Approved Budget	Audit assignments completed within an average of 100% of approved budgets.	**Met**	Audit assignments during FY 2024-25 were completed within an average of 96% of approved budgets.
14	Average Hours per Planned Audit	Complete audits (Board reviews and follow-ups excluded) in an average of 1,000 staff hours or less.	**Met**	Audit completed 15 planned audits in an average of 833 hours each (includes the 13 fiscal, IT and operational reviews, and two of the special reviews discussed in the chart on Page 3 of the report).
15	Notifying Departments of Budget Changes	Notify departments of needed revisions to Departmental Services Orders within 30 days of becoming aware of previously unforeseen work.	**Met**	Audit continually worked throughout the year with the A-C Administrative Services Division to monitor the Division's budget. Departments were notified of budget changes, where applicable.
IV.	**Fostering Innovation**			
16	Percentage of Managers with Professional Certifications or Advanced Degrees	50% of audit managers (Principal Accountant-Auditors and above) to have a relevant professional certification and/or an advanced degree.	**Met**	63% of all Audit staff possessed a professional license or advanced degree during FY 2024-25. Specifically, 87% of Audit managers and 45% of Audit staff had a relevant professional certification. In addition, 46% of the remaining Audit staff have earned credit and/or are working to obtain a professional license.
17	Professional Training for Employees	Employees complete an average of 20 hours of professional development training each year. Training may be in the form of attending conferences or seminars.	**Met**	Audit employees averaged approximately 48 hours of professional training during FY 2024-25 through various training opportunities provided to managers and staff, including a conference hosted by the IIA.
18	Professional Development for Managers	At least one Audit Division manager at the level of Chief Accountant-Auditor (CAA) or higher will attend a professional conference each year.	**Met**	The Audit Division Chief and all three CAAs are IIA members. In addition, one CAA attended the Annual Conference of the California State Association of County Auditors where they networked with peers to gain new perspectives, insights, and best practices regarding the auditing profession.