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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATIONS BY
J. Tyler McCauley
Auditor-Controller
Los Angeles County**

February 6, 2008

Chairman Ikejiri expressed his appreciation to Mr. McCauley for making the time to speak to the Commission.

Mr. McCauley began explaining the three audit units in the Auditor-Controller's Department. 1.) Audit Division has 61-staff 2.) Office of Countywide Investigations has 22 staff 3.) Contract Monitoring has 48-staff .

Audit Units

Mr. McCauley provided examples of financial audits performed. Examples included recent audits of DCFS procurement/payroll, similar audits in other departments such as Registrar-Recorder, parts of DHS, audits of accrual/payables, Workers' Compensation processing and internal controls, Board and Care and FFA contracts, the Transit Occupancy Tax, CalCard use by the Sheriff, Internal Service Department, and Public Works, Sheriff Inmate Welfare Fund food services fund, billings to the State for State prisoners, internal control plans for eCaps, a use tax audit.

Operational Audits

Mr. McCauley also explained the Audit Division conducts many operational audits, which include Board requests as to why programs are not working, public complaints, etc. A recent assignment was to examine the County Counsel's compliance with its litigation procedures. Another recent operational audit was where the State proposed claim cuts of over \$63-million at the Department of Community and Senior Services AAA program sub-recipients for lack of documentation of program expenditures. Audit division was able to develop alternative ways to prove the proper use of AAA monies and reduce the cuts to a little over \$1 million.

Management Audits

Mr. McCauley noted another type of audit performed by the Audit Division is management audits. The most

recent management audit was the Probation Department. Previous audits included Regional Planning, County Counsel, Child Support, DCFS, and the Department of Public Works. Mr. McCauley explained most of these audits are performed by private firms under contract with the Auditor-Controller. Mr. McCauley explained that the Audit Division also uses a Master Agreement to contract for audits when the Division does not have the time or resources to perform certain types of financial audits. He indicated examples of these audits include audits of Marina leases, the quarterly and annual audits of the Treasurer's cash and compliance with Board investment policies, audits of the County's Non Profit Corporations, LACCAL, State grants, and monitoring of Department of Mental Health contracts with agencies providing mental health services, etc.

Office of Countywide Investigation

Mr. McCauley explained that the Auditor-Controller's Office of Countywide Investigations (OCI) performs investigation of alleged fraud by County employees and contractors. He noted that the staffs in this unit are POST certified and includes staffs who are CPAs', Certified Fraud Investigators, and Certified Internal Auditor. OCI handles Fraud Hotline calls and uses a larger database system for tracking the calls. The Unit also conducts fraud training for departments. Mr. McCauley stated OCI has obtained many criminal convictions and has been very successful in working with Departments in Civil Service hearings that often results from investigations.

Mr. McCauley concluded his discussion by explaining the work of the Auditor-Controller's Contract Monitoring Division and a special audit team that audits urgent matters and conducts special reviews. Objective of this team is to make findings and recommendations and then help departments implement the recommendations. He provided examples of this team's audit including a sewers performance study and a current review at DHS to see if its financial operations can be consolidated.

Questions and Comments

Commissioner Padilla asked as to the insights of King Drew Medical Center closing down the Hospital? Mr. Tyler McCauley responded that the finances were done incorrectly and that King Drew would have to start over with an entire new team. Commissioner Padilla asked if there could have been more of an outreach of auditing. Mr. Tyler McCauley response was if the County places an onsite Auditing Contractor to be certain that the same financial issues would not occur again.

Commissioner Fuhrman asked if the Macias annual audit had any audit or management comments. Mr. Tyler McCauley replied that Macias is required to provide a management report after one single audit is complete to inform the Auditor-Controller as to their findings.

Chairman Ikejiri asked if there were any other questions for the Auditor-Controller and there were not. He thanked Mr. McCauley for his informative and enlightening presentation and offered the resources of the Commission to assist in his efforts.

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