

August 16, 2023

Honorable Michael Jurkovich
Supervising Judge Madera County Grand Jury
Madera Superior Court
200 South G Street
Madera, CA 93639
&
Madera County Grand Jury
P.O. Box 534
Madera, CA 93639

RE: Auditor-Controller Department: Key to Achieving Excellence in County Government

Report Date June 19, 2023

Dear Honorable Judge Jurkovich and Members of the Grand Jury:

This letter is to serve as a response to the Madera County Grand Jury findings and recommendations regarding the Madera County Auditor-Controller's Department.

The Auditor-Controller's Department would like to thank the Madera County Grand Jury for their thorough report entitled Auditor-Controller Department, Key to Achieving Excellence in County Government, including the findings and recommendations included therein.

The Grand Jury's report contained seven (7) findings and recommendations for the Auditor-Controller's Department. Below you will find the department's responses pursuant to Penal Code Sections 933 and 933.05.

Findings & Responses, Key to Achieving Excellence in County Government

Finding 1: The MDGJ finds that County departments and activities designated as selected for audit by utilization of the Risk Assessment worksheets are in most cases left unaudited, potentially resulting in continued risk to County operations.

Response: Respondent partially disagrees with the finding. During every year, issues arise during the year (and after the risk assessment and creation of the audit plan) that are of a higher and more urgent risk than certain items selected for audit. It is very important for the Audit Division to be flexible enough to address items of a critical nature timely, when they arise. So, while some items selected for audit may be delayed to a later audit year, it is normally due to issues of higher risk arising that require attention of the Audit Division. The A/C department strives to continually address any noted high-risk areas.

Finding 2: The MDGJ finds that County departments and activities planned to receive an audit in the Annual Audit Schedule in many cases do not align with County activities previously designated in the Risk Assessment worksheets, resulting in many high-risk designated activities remaining unaudited.

Response: Respondent partially disagrees with the finding. As noted in the response immediately above, the Audit Division and the A/C address items of the highest risk, based on the resources available. Therefore, not all items selected for audit may be addressed in any given year. Additionally, this report addressed Risk Assessments and audits going back to 2016, while current departmental employees with auditing responsibilities have only been employed with the County since 2018. We are therefore unable to address items from 2016 and 2017.

Finding 3: The MDGJ finds that when in-depth internal audits are performed by the A/C department, value-added Findings and Recommendations are made to management affording opportunities to improve the effectiveness and efficiency of government operations.

Response: Respondent agrees with the finding and appreciates the acknowledgement of the importance and the quality of work of the Internal Audit Division. The A/C especially recognizes the MCGJ statement in the body of the report that internal audits performed and recommendations made: "...are exemplary of the highest levels of internal auditing and contributions to effective government." The A/C Department will continue to provide internal audits with value-added Findings and Recommendations geared to improve the effectiveness and efficiency of government operations.

Finding 4: The MDGJ finds that since the dissolution of the Internal Audit Committee as originally created by the BOS Resolution 2016-315, public visibility, and awareness of internal audit publications is minimized, thereby resulting in a clouded transparency of government operations.

Response: Respondent wholly disagrees with the finding. For example, after the dissolution of the Internal Audit Committee as originally created by the BOS Resolution 2016-315 (which occurred on October 23, 2018), there was significant discussion at the December 18, 2018 BOS meeting of an audit of County-wide concern.

Finding 5: The MDGJ finds the County did not sufficiently understand and test the capability of NEOGOV's payroll program to deliver reliable and accurate payroll services to the employees of Madera County, resulting in payroll errors for many County employees.

Response: Respondent partially disagrees with this finding. In retrospect, while more testing could have been performed, the County did understand and test the capability of NEOGOV's payroll program. Our extensive testing resulted in numerous suggestions to NEOGOV's programming staff for correction or

errors in the program's processing of payroll transactions. Subsequent testing indicated processing errors were corrected, but in some instances, when final payroll was processed, new processing errors occurred in the NEOGOV program, resulting in payroll errors. It should be noted that all known pay errors were subsequently corrected to ensure that County employees were paid properly.

Finding 6: The MDGJ finds that the county and NEOGOV did not provide sufficient training necessary to implement the new payroll system effectively and efficiently, thereby compounding payroll and reporting errors.

Response: Respondent partially disagrees with the finding. The Payroll Division of the A/C department provided numerous instances of both in-person and remote training to all departmental payroll representatives to ensure efficient and effective implementation of the new NEOGOV system. The implementation of any new payroll system in a California County government is a very complex and intricate undertaking due to the hundreds of different pay codes and pay types for all employees. It was expected that there would be a learning curve for both employees in the Payroll Division and in for all County department's payroll representatives. We did not expect to have a significant learning curve exist with the NEOGOV staff on their own software and in payroll processing in general, but this did occur. There was no compounding of payroll and reporting errors due to insufficient training. Instead, problems occurred due to the intricacies of the new software and the steep learning curve to the new program during implementation. It should be noted that payroll errors resulting in the issuance of variance checks have been minimal for the last 4 months of pay processing (approximately ½ of 1%) and that the issues were not related to the NEOGOV system, nor due to lack of understanding of system functionality.

Finding 7: The MDGJ finds that the reputation of the Auditor Controller's department was compromised resulting from the undue burden of the payroll conversion to NEOGOV, thereby adversely impacting the A/C department's ability to fully execute the wide range of its responsibilities.

Response: Respondent agrees with this finding. The implementation of the NEOGOV system selected by previously employed members of County management was very challenging to current members of the A/C department, due to system inadequacies, vendor issues and the steep learning curve for all involved. It should be noted that proper payroll processing in the County involves timely and accurate entries by payroll representatives in each County department, Human Resources personnel and Payroll Division personnel. While the A/C department's reputation was compromised for a period of time, the department has proactively taken steps to improve performance. This included the implementation of a change in the monthly pay period which has resulted in a more accurate and efficient processing of County payroll.

Recommendations & Responses, Key to Achieving Excellence in County Government

Recommendation 1: The MCJC recommends that the A/C Department return to a robust utilization and application of the Risk Assessment worksheet to all County entities, with implementation by November 1, 2023.

Response: The recommendation will be implemented by November 1, 2023.

Recommendation 2: The MCJC recommends that in preparing the Annual Audit Schedule, the A/C, with input from the Audit Committee, should demonstrate a more rigorous adherence to those County activities previously identified in the Risk Assessment Worksheet by December 31, 2023.

Response: The recommendation will not be implemented because it is not reasonable to focus on items previously identified as far back as 2016. The annual Risk Assessment Worksheet informs the discussion of County risk each year, and the A/C works with Administration & informal Audit Committee members to ensure that items of the highest current risk and urgency, for which the County does not have other compensating controls, are addressed timely.

Recommendation 3: The MCJC recommends that the A/C, with input from the Audit Committee, should establish and execute a minimum number of in-depth audits to be performed annually by December 31, 2023.

Response The recommendation will not be implemented as it is not reasonable. Internal Audits require a varying investment of time; therefore, it is not feasible to establish an explicit minimum number of in-depth audits. However, goals are and will continue to be set on an annual basis and progress analyzed at the end of each year.

Recommendation 4: The MCJC recommends the A/C should publish on its webpage the results of all internal audits performed on County activities by December 31, 2023.

Response: The recommendation will not be implemented as it is not reasonable. In reviewing the websites of all California Counties of an approximate similar size to Madera County (with populations of +/- 20% of Madera's population), none publish internal audit reports. Many publish, like Madera County, various financial and statistical reports either prepared internally or by external accounting firms. We will continue to publish these items on the A/C website.

Recommendation 5: The MCJC recommends that prior to purchasing or subscribing to new computer software programs, the county adheres to the guidance provided by the 2015 Internal Control Guidelines of California stating: "*Changes in software should be subject to extensive evaluation and testing in order to identify and manage risks associated with use.*"

Response: The recommendation has not yet been implemented but will be implemented immediately for any new computer software programs purchased or subscribed to by the A/C office.

Recommendation 6: The MCJC recommends that prior to initiating a computer software conversion plan, a training plan should be fully developed and fully implemented with all personnel expected to use the new software program. Both on and off-site training should be a mandatory component of the training plan.

Response: The recommendation has not yet been implemented but will be implemented in the future prior to initiating a new computer software conversion.

Recommendation 7: The MCJC recommends that the A/C Department personnel should continue to work with HR and other departments to close the remaining gaps associated with the NEOGOV payroll conversion in order to exemplify the core values stated in the 2023 Madera County Strategic Plan: *Professionalism, Loyalty, Accountability, Compassion, and Excellence.*

Response: The recommendation has been implemented, as the A/C Department personnel has worked with HR and all other departments to close the gaps with the NEOGOV payroll conversion resulting in significantly improved system performance over the last four months, as exemplified by the payroll processing success rate of approximately 99.5%. The significant efforts by Auditor-Controller and other County personnel involved in payroll processing exemplify the Core Values (*Professionalism, Loyalty, Accountability, Compassion, and Excellence*) delineated in the 2023 Madera County Strategic Plan.

Respectfully Submitted,

A handwritten signature in black ink that reads "David E. Richstone". The signature is written in a cursive style and is positioned above a horizontal line.

David E. Richstone, Auditor-Controller, Madera County