Independence in a Political Environment

Mr. Mark Willie, CPA, Public Member Orange County Audit Oversight Committee,
Mr. Eduardo Luna, MPA, CIA, CGFM, City Auditor for City of San Diego, CITYAUDITOR@SANDIEGO.GOV
Dr. Peter Hughes, CPA, CIA, Director of Internal Audit for Orange County Board of Supervisors, OCGOV.COM/AUDIT

PANEL DISCUSSION

San Diego Chapter of Institute of Internal Auditors (IIA)
Government Auditing Seminar
Half-day Governmental Auditing Seminar
March 12, 2014, Wednesday
Who are these people who are speaking?

- Dr. Peter Hughes, Director of Internal Audit, County of Orange
  - Started 1999 - Cleaned up after Bankruptcy
  - Developed Department and Audit Oversight Committee Charter
- Eduardo Luna, San Diego City Auditor
  - Appointed to a 10-year term in April 2009
  - First City Auditor reporting directly to Council
- Mark F Wille, Chairman Audit Oversight Committee, County of Orange
  - 2013
  - CALCPA Auditing and Accounting Committee – 1990 – Current
  - Peer Reviewed – 1990 - Current
Dialog vs Monolog

- Lets talk about it – Participate
- Please interrupt us and take us down a side street!!!
Why Independence?

- What is the problem we are trying to Solve?
- Gets to the matters we are trying to solve?
- Where do we have issues?
- History
  - The Fraud Triangle – Where did it start?
The nature of Man is sinful

- Do we want to get Caught?
- Controls
- Our internal audit function is part of the controls
- We help people help themselves
- We can do it pleasantly most of the time
How do we get to the Meat of the Issue?

- Spelled out audit plan - Where, What, When, Why?
- Few “Got You” Audits – let the departments know you are coming so they can be prepared and do the right thing.
- Be Collaborative
- Survey the Board and Department heads – Use your resources
- Where do put our resources?
  - Risk Assessment – Travel vs Unspecified Funds?
  - Special Revenue Funds – very tempting source of “available” funds especially during tight fiscal times
  - Over the Counter Cash Collections
  - Sensitive Billings for Cost Recoveries
How to Navigate Political/Media Issues?

• Reports are Public – don’t overstep your job
• Sell vs Report
• Don’t Let your report be Watergated!!!
• Don’t let your report get Watered-down!!!
• Trust yourself – if you know you are right, stick to your guns.
• Good Grand Juries vs Bad – How to stop tunnel vision.
• Transparency
How to Navigate Difficult Personalities

- Be a good listener – Listen Hard
- Understand what is the core of their issue
- If you know the backstory try to understand – WHY they are coming to you – which may have nothing to do with the issue at hand
- Try to find something you can agree with the other person
- Come to agreements first then come to areas to work on
Important Question is always – Why???

- If we understand why someone is doing something we can put controls in place to fix it.
- If we don’t understand it becomes more difficult
- That is why it is hard for us to stop suicide bombers because we can’t understand why.
War Stories –

Lets talk about them!!!

• Dr. Hughes

• Clerk Recorders Office – 2013
  • Restricted Revenues – Fungible
  • Challenge to audit went the money is not colored

• CFD – Mello- Roos – 2010
  • First audit of the tax setting base since inception

• Treasurer Audit – Compliance with Investment Policies – 2010
  • Qualified Opinion regarding compliance exceptions
War Stories

- Eduardo Luna
  - Review of City Travel Expenses Associated with Former Mayor Filner’s Trip to Paris, France
  - Review of Family Justice Center
  - Performance Audit of Employee Add-on Pays
What did you learn today?

• What was your take away from this presentation?
• What are you going to use tomorrow at your office?