

Internal Audit Department

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

PTMS AUDIT ALERT NO. 1

This PTMS Audit Alert communicates the need for Independent Verification and Validation (IV&V) services for the PTMS Implementation Project.

The PTA Departments **concur** with our recommendation and will take action to pursue IV&V services for the PTMS Implementation Project.

AUDIT NO: 2769-A
DATE: JUNE 5, 2008

The purpose of the PTMS Audit Alert is to promptly bring to the PTA Departments' attention important potential issues for their immediate assessment and if necessary, corrective action. The process incorporates an accelerated management response timeline to ensure the timely completion and dissemination of audit issues so as to not impede progress of the PTMS Implementation Project.

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Sr. Audit Manager: Autumn McKinney, CPA, CIA, CISA



Internal Audit Department

Serving the OC Board of Supervisors since 1995

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Award for Recognition of Commitment to
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Internal Audit Department

Providing Facts and Perspectives Countywide

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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608



Transmittal Letter



AUDIT NO. 2769-A June 5, 2008

TO: Property Tax Administration Departments:
David Sundstrom, Auditor-Controller
Chriss Street, Treasurer-Tax Collector
Darlene J. Bloom, Clerk of the Board

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

SUBJECT: PTMS Audit Alert No. 1 – IV&V Contract

Attached is our **PTMS Audit Alert No. 1** for the PTMS Implementation Project.

Each month I submit an **Audit Status Report** to the BOS. Accordingly, the results of this PTMS Audit Alert will be included in a future status report to the BOS.

Unlike our traditional audit reports, we will not perform a follow-up audit for this PTMS Audit Alert in six months. However, depending on the materiality, any recommendations not implemented could be included in a future PTMS Audit Alert.

We will request the PTA Departments to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final PTMS Audit Alert.

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

ATTACHMENTS

Other recipients of this PTMS Audit Alert are listed on page 3.

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PTMS AUDIT ALERT NO. 1

AUDIT No. 2769-A

JUNE 5, 2008

TO: Property Tax Administration Departments:
David Sundstrom, Auditor-Controller
Chriss Street, Treasurer-Tax Collector
Darlene J. Bloom, Clerk of the Board

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

SUBJECT: PTMS Audit Alert No. 1

PTMS Audit Alert

The purpose of a PTMS Audit Alert is to quickly bring to the PTA Departments attention important potential issues for their assessment and if necessary, corrective action.

Because of the importance of the PTMS Implementation Project's schedule, timely feedback is critical. As such, this PTMS Audit Alert is not subject to the same rigor and formality of a traditional report in that we have not fully developed the issues and have not verified the accuracy of all information.

The PTMS Audit Alerts have an accelerated management response timeline to ensure the timely dissemination of audit issues so as to not impede progress of the PTMS Implementation Project.

BACKGROUND

The current Assessment Tax System (ATS) is being replaced by two new systems: the new Property Tax Management System (PTMS) and a reengineered Assessment Tax System (ATS). The PTMS Implementation Project will be managed by the three Property Tax Administration (PTA) Departments consisting of the Auditor-Controller, Treasurer-Tax Collector, and Clerk of the Board. The ATS Reengineering Project will be managed by the Assessor.

This PTMS Audit Alert addresses the PTMS Implementation Project only. We have issued a separate ATS Audit Alert to the Assessor that addresses the ATS Reengineering Project.

For the ATS Reengineering Project, the Assessor has communicated in writing to the Internal Audit Department that he does not need internal controls assistance from the Internal Audit Department.

For the PTMS Implementation Project, the PTA Departments have expressed interest in receiving internal controls assistance from the Internal Audit Department. As such, we prepared a *draft* MOU dated May 1, 2008, describing the Internal Audit Department's role on the PTMS Implementation Project as reviewing and providing feedback on the internal control documentation that will be developed by the PTMS project implementation team for the new system. The PTA Departments discussed our draft MOU at the PTMS Steering Committee meeting on May 7, 2008.

Prior to the development of our draft MOU, we researched opportunities for the PTA Departments to receive independent feedback on the PTMS Implementation Project as a whole that would complement our proposed focused role of reviewing and providing feedback on internal control documentation. Our research resulted in the determination that Independent Verification and Validation (IV&V) services should be evaluated for the PTMS Implementation Project.



ROLE OF IV&V

The role of the IV&V services should be to provide regular independent assessments of whether the project is on track (budget and timeframes), whether the defined requirements and deliverables for the project have been fulfilled, and whether the system performs as intended. The IV&V services should also assess the change management and testing processes, as well as review the overall proposed policies and procedures for the PTMS.

JUSTIFICATION FOR IV&V

The new PTMS is a mission critical system for the County. For the FY 05-06 tax year, approximately \$3.39 billion dollars in tax revenues were received and apportioned by the County. At the April 15, 2008 Board of Supervisors meeting, costs for the PTMS Implementation Project were estimated to be \$17.6 million dollars. For a system development of this size and importance, IV&V is a best practice.

At its April 15, 2008 meeting, the Board of Supervisors directed the County Executive Officer to work with the PTMS Steering Committee to establish independent review and monitoring of the PTMS project and costs. The IV&V services could accomplish the Board directive.

Additionally as a reference point, the County Accounting and Personnel System (CAPS) Upgrade Project budget includes \$500,000 for IV&V services. The CAPS+ application is a configurable "off-the-shelf" system whereas the PTMS will be a custom development which is inherently more risky. As such, IV&V services could be more critical for the PTMS Implementation Project.

FINDING, RECOMMENDATION, AND MANAGEMENT RESPONSE

Finding No. 1

It is our understanding the project plans for the PTMS Implementation Project do not currently include Independent Verification and Validation (IV&V) services.

Recommendation No. 1

We recommend that the PTA Departments evaluate obtaining IV&V services for the PTMS Implementation Project or explain how the concepts of IV&V and/or other risk mitigation processes are being deployed in the PTMS Implementation Project.

PTA Departments' Response

The PTMS Steering Committee concurs with the recommendation and acknowledges the importance of obtaining an IV&V review of the PTMS implementation project. They have directed the project management team in conjunction with CEO-IT to define the scope of an IV&V engagement. Once the scope has been determined; it is the intent of the Steering Committee to request funding and authority from the Board of Supervisors to obtain IV&V services for this project.



Acknowledgment

We appreciate the courtesy and cooperation extended to us by the personnel of the PTMS Implementation Project and the PTA Departments. If you have any questions regarding our PTMS Audit Alert, please call me directly at 834-5475 or Eli Littner, Deputy Director at 834-5899, or Autumn McKinney, Senior Audit Manager at (714) 834-6106.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Satish Ajmani, Chief Information Officer, CEO/Information Technology
Webster Guillory, Assessor
Shaun Skelly, Director Accounting Operations, Auditor-Controller
Frank Davies, Senior Manager Property Tax, Auditor-Controller
Phil Daigneau, Director Information Technology, Auditor-Controller
Pradeep Parikh, PTMS Project Manager, Auditor-Controller
Paul Gorman, Chief Assistant Treasurer-Tax Collector
Clarissa Adriano-Ceres, PTMS Project Manager, Treasurer-Tax Collector
Pat Martinez, Assessment Appeals Manager, Clerk of the Board
Van Au, PTMS Project Manager, Clerk of the Board
Mahesh Patel, Assistant Chief Information Officer, CEO/Information Technology
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



ATTACHMENT A: PTA Departments' Response



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AUDITOR-CONTROLLER COUNTY OF ORANGE

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PHILLIP T. DAIGNEAU
DIRECTOR
INFORMATION TECHNOLOGY

May 30, 2008

TO: Dr. Peter Hughes, Director
Internal Audit Department

SUBJECT: Response to *Revised Draft* PTMS Audit Alert No. 1 – IV&V Contract

On May 6th, 2008, your department issued *Revised Draft* Audit Alert No. 1; Audit No. 2769-A for the Property Tax Management System (PTMS) Implementation Project. The following response has been prepared on behalf of the PTMS Steering Committee.

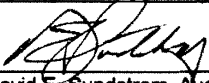
Audit Alert Recommendation # 1:

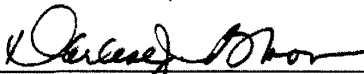
We recommend that the PTA Departments evaluate obtaining IV&V services for the PTMS Implementation Project or explain how the concepts of IV&V and/or other risk mitigation processes are being deployed in the PTMS Implementation Project.

PTMS Steering Committee Response:

The PTMS Steering Committee *concurs* with the recommendation and acknowledges the importance of obtaining an IV&V review of the PTMS implementation project. They have directed the project management team in conjunction with CEO-IT to define the scope of an IV&V engagement. Once the scope has been determined; it is the intent of the Steering Committee to request funding and authority from the Board of Supervisors to obtain IV&V services for this project.

If you have any questions, please contact Pradeep Parikh at (714) 834-3153 or Pradeep.Parikh@oc.gov.com.


David E. Sundstrom, Auditor-Controller


Darlene J. Bloom, Clerk of the Board of Supervisors


Chriss Street, Treasurer-Tax Collector

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ATTACHMENT A: PTA Departments' Response (continued)

Dr. Peter Hughes, Director, Internal Audit Department
May 30, 2008
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cc: Satish Ajmani, Chief Information Officer, CEO/Information Technology
Webster Guillory, Assessor
Shaun Skelly, Director Accounting Operations, Auditor-Controller
Frank Davies, Senior Manager Property Tax, Auditor-Controller
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