

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

910



FROM: County Auditor-Controller

SUBMITTAL DATE:
November 14, 2011

SUBJECT: Approval of the Request for Ratification of Professional Service Contract with IntelliBridge Partners for an Internal Audit review.

RECOMMENDED MOTION: That the Board of Supervisors authorize the Chairperson to ratify the attached agreement for an Independent Review of Internal Audit on behalf of the elected Auditor Controller and direct the Auditor-Controller to make the budget adjustments in Attachment A

BACKGROUND: IntelliBridge Partners, LLC conducted a professional review of the County ACO internal audit group (June 16th to July 27th, 2011). This timely review greatly assisted the newly elected ACO in determining a new, more focused direction, for the Internal Audit Division, at a time of a mandated 24% cut in personnel and service.

The ACO believed it had signature authority to engage IntelliBridge and with that understanding the ACO engaged IntelliBridge. It is the professional opinion of the ACO that IntelliBridge's timely and independent input allowed the ACO to develop an affirmative strategic plan at a time of unprecedented personnel cuts. The ACO is more familiar with the professional services policies now and has taken the appropriate steps to ensure compliance in the future.

Jim Brown - Deputy

for Paul Angulo, CPA, MA
County Auditor-Controller

FORM APPROVED COUNTY COUNSEL
BY *DALE A. GARDNER* 11/9/11 DATE
Departmental Concurrence
Purchasing: *Mark Seller* Assistant Director
Policy Policy
Consent Consent
Dep't Recomm.: Per Exec. Ofc.:

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 38,000	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 38,000	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 0	For Fiscal Year:	11/12

SOURCE OF FUNDS: General Fund Committed Fund balance	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: *Karen L. Johnson*

Karen L. Johnson
County Executive Office Signature

Prev. Agn. Ref.: 9/13/2011, 3.103 | **District:** A11 | **Agenda Number:**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.4

RE: Approval of the Request for Ratification of Professional Service Contract
with IntelliBridge Partners for an Internal Audit Review

Date: November 14, 2011

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Attachment A

Increase Appropriations:

10000-1300200000-525440	Professional Services	38,000
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Decrease Committed Fund Balance:

10000-1000100000-330152	CFB – ACO Internal Audit	38,000
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One Firm. All Angles.

June 16, 2011

Mr. Jim Brown
County Administrative Center
4080 Lemon Street, 11th Floor
P. O. Box 1326
Riverside, CA 92501-1326

Dear Jim,

On behalf of IntelliBridge Partners, I am pleased enter into an agreement of the scope of services requested from your office. We will perform an operational review of the internal audit division.

The scope of the review will examine the following functions, both manual and electronic:

- annual audit planning process
- risk assessment process
- selecting audit engagements
- budget-staffing and qualifications of audit personnel
- execution of audit engagements including supervision and quality control
- existing documentation for policies, procedures, and work programs for the internal audit function
- review of established historical files that the department keeps, provide observations/recommendations
- make recommendations that will include analytics that can be utilized in audit reports for standardized analysis and fraud/irregularities detection

Below are the key tasks that we expect to perform for this project. However, these tasks may change and/or additional tasks may be added as we begin our fieldwork and gain additional understanding of how the County's implements its internal audit processes.

Task 1: Develop implementation plan. The first phase of this engagement is to develop a strategy that will guide the direction and approach for the project. The strategy will be the roadmap for the remainder of the project. In our experience, the plan will also document the deliverable schedule and deliverable submission protocol.

Task 2: Hold Kick Off Conference. The objectives of this meeting will be to introduce the key members of our project team to the County and to confirm both parties' understanding of key study parameters such as scope, deliverables, timelines, and to discuss the project management plan that will be used for the engagement.

Phase II: Implementation Phase

We will utilize a number of review and evaluation techniques in this project, as briefly outlined below:

1010 K Street, Ste. 500
Sacramento, CA 95811
916.441.1111

5177 Olympic Street, Ste. 500
Los Angeles, CA 90028
310.407.5897

1010 Dove Street, Ste. 500
Sacramento, CA 95811
916.441.1111

1010 K Street, Ste. 500
Sacramento, CA 95811
916.441.1111

1010 K Street, Ste. 500
Sacramento, CA 95811
916.441.1111

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Sacramento, CA 95811
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- **Interviews.** We will conduct customer, employee, and other stakeholder interviews as necessary to obtain relevant supporting data and information regarding required and recommended internal audit management activities.
- **Comparisons to required and industry best practices:** We will compare audit operations against key required auditing standards and other noteworthy state and federal agency practices.
- **Review of issued audit reports:** We will review a sample of represented audit reports to assess the quality of reporting and effectiveness of conveying audit results and recommendations. We will also review the reports for adherence to auditing standards for reporting.
- **Assessment of audit tools:** We will inventory and assess the strengths and weaknesses of the audit tools used by the internal audit department to carry out its mission. These tools will include risk assessment models, fraud prevention programs, audit documentation and supervisory tools, planning tools, data analysis and reporting activities.
- **Utilization of audit documentation management system:** We will evaluate how Team Mate is currently utilized by the audit department and to determine how it can be used more effectively.
- **Staffing analysis:** We will assess the training records of staff and survey their skills set to perform audits per today's best practices.

Phase III: Reporting

The Reporting Phase will consist of conducting an exit conference to discuss the principal findings and results of the review. Upon completion of the exit conference, our staff will prepare the draft report and submit the draft report to the Auditor-Controller for review and comment. We will incorporate official County response into the final report.

We anticipate that key tasks will include:

- Summarize the findings
- Hold an exit conference with auditor-controller staff
- Prepare the draft report
- Perform internal quality report review
- Issue the draft report to the County
- Receive agency comments
- Finalize and issue the report

Project Needs

Our firm believes that to perform the request scope of services within the timeframe requested, the following key items are needed:

1. Line item County budget that provides sufficient breakdown of detailed salary and benefit Expenditures of audit department staff.
2. Number of staff by audit position.
3. Most recent peer review report
4. List of audit reports issues in the prior 3 years

Project TimeFrame

IntelliBridge proposes a project schedule which assumes a realistic view of the complexity and required thoroughness for assessing the Indigent Program. We break out our project schedule into three aligned with the project work plan. MCG's schedule is dependent on both timely response from the County when needed, as well as the quality of information collected. Dependencies include:

- Timely scheduling of meetings with the County for scope of work elements requiring consultation with Department staff,
- Timely response from the County to review project deliverables

Schedule Task	Timeline	Staff
Begin Planning	June 19	Kousser
Kick off Conference	June 22	Callahan
Begin Implementation Phase	June 27	Callahan/Kousser
Exit Conference	July 12	Callahan
Draft Report Issuance	July 19	Callahan
Agency Feedback	TBD	
Issue Final Report	July 30	Callahan/Kousser

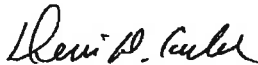
Ms. Denise Callahan and Ms. Kate Kousser will conduct the work required for this project. Work will begin immediately upon formal authorization. Our total fee for the review is \$38,000. Invoices will be rendered on a monthly basis and are payable on presentation.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please do not hesitate to contact me at 213.286.6413. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional services arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter.

Very truly yours,

INTELLIBRIDGE PARTNERS

By:



Partner

RESPONSE:

This letter correctly sets forth the understanding of the scope of work for operational review of the County of Riverside Audit Division.

By:

 _____

Title:

Deputy Auditor - controller _____

Date:

16 June 2011 _____