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



FROM: County Auditor-Controller

SUBMITTAL DATE:
September 11, 2012

SUBJECT: County of Riverside Auditor-Controller's Internal Audit Plan for FY 2012/13

RECOMMENDED MOTION: Receive and file Auditor-Controller's Internal Audit Plan for FY 2012/13

BACKGROUND: We have prepared an Internal Audit Plan for FY 2012/13 in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit plan is consistent with meeting the requirements of California Government Codes §1236 and §25250.

Paul Angulo

Paul Angulo, CPA, MA-Mgmt.
County Auditor-Controller

**FINANCIAL
DATA**

Current F.Y. Total Cost:

\$ 0

In Current Year Budget:

N/A

Current F.Y. Net County Cost:

\$ 0

Budget Adjustment:

N/A

Annual Net County Cost:

\$ 0

For Fiscal Year:

N/A

SOURCE OF FUNDS: N/A

Positions To Be
Deleted Per A-30

☐

Requires 4/5 Vote

☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: September 25, 2012
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District:

Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

2.10

Departmental Concurrence

Policy

☐

Consent

☒

Policy

☐

Consent

☒

Dep't Recomm.:

Per Exec. Ofc.:

County of Riverside
Auditor-Controller's Office
Internal Audit Division



We Believe In...

*"Creating Value and
Making a Difference"*

ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo
CPA, MA-Mgmt

FY 2012/13
Audit Plan

Internal Audits is established as a function within the Audits and Specialized Accounting Division of the County Auditor-Controller's Office. Riverside County Board of Supervisors' Resolution No. 83-338: Establishing Authority and Declaring Policy, authorizes the Auditor-Controller to audit accounts and records of any department, office, board, or institution under the control of the Board of Supervisors, and any district keeping funds in the County Treasury. Internal Audits assists all levels of administration in achieving County objectives by bringing a systematic approach to evaluate and improve the effectiveness of risk management, control, and the administrative processes in the following areas:

- ♦ Compliance with laws and regulations;
- ♦ Safeguarding of assets;
- ♦ The reliability and integrity of financial information; and
- ♦ Economy and efficiency of operations and resource usage.

OUR MISSION

To provide independent, objective assessments of business risk, identifying and recommending internal controls to safeguard assets, improve the reliability and integrity of financial information, enhance the efficiency and effectiveness of operational processes, and ensure compliance with laws, regulations and policies.

Executive Summary

The primary goal of the Internal Audit Division is to ensure taxpayer confidence and assurance and to provide the Board of Supervisors and county management in accomplishing their missions and stewardship responsibilities by conducting audits that provide reliable, independent, objective assessments of the adequacy and effectiveness of internal controls. Internal controls are processes established by management designed to safeguard county assets and resources, maintain the reliability and integrity of financial information, promote the efficiency and effectiveness of operational processes, and ensure compliance with laws, regulations, and policies.

We are here to assist all levels of management in assuring internal and external parties that the financial resources are being properly managed and accounted for, and that the County of Riverside is complying with the applicable policies and laws. Internal Auditing covers a broad range of activities including: testing transactions for compliance with accepted business practices; reviews of internal control; establishing rules and regulations; and operational audits, which involve reviews directed towards improving efficiency and cost savings.

To meet our clients' expectations and for us to function effectively with reliability and credibility, we must ensure our audits and reviews of county operations are independent, accurate, and unbiased. Therefore, the Internal Audit function applies the International Standards for Professional Practice of Internal Auditing to all audits performed. These standards require we affirm our independence annually and follow ethical and professional standards. The Internal Auditing staff members have a responsibility to those they serve to refrain from entering into any activity that may create a conflict of interest. They have an obligation of self-discipline above and beyond the requirements of the laws and regulations. They uphold and demonstrate qualities of integrity, honesty, loyalty, morality, dignity, and confidentiality consistent with the Institute of Internal Auditors *Code of Ethics*.

In our effort to provide independent, objective, and reliable assessments of internal controls to the Board of Supervisors and management in accordance with Board of Supervisors' Resolution 83-338, an annual internal audit plan is developed. The development of the annual Internal Audit Plan is driven by legal mandates, an independent county-wide risk assessment, and information gathered through consultations with county management. As part of our commitment to quality, we initiated a comprehensive county-wide risk assessment conducted by IntelliBridge Partners. This risk assessment is utilized as a tool to identify and mitigate risks affecting departments due to budget reductions, changes in key positions and other issues departments are faced with during our continued economic struggles. While continuing to meet the mandate of performing a biennial audit of each department in accordance with California Government Code §25250, we intend to continue increasing our focus on identifying opportunities for reducing costs and optimizing revenues as well as mitigating other significant exposures.

We have allocated resources to comply with audit mandates and Board of Supervisors' and management requests. In addition, we provided coverage for conducting our key initiatives including assistance to the Fraud, Waste, and Abuse Prevention Committee for the administration and investigation of reports received through the county's Fraud, Waste, and Abuse Prevention Program.

Strategic Plan

The continuous improvement of Internal Audits demands that we devote a portion of our effort to developing a strategic plan as well as an annual operating audit plan. Our long-term goal is to develop a cadre of highly proficient audit professionals to meet the increasing demands of a growing Riverside County. We will meet the audit requirements established by the Government Code and Board of Supervisor's Resolutions, and will continue to identify and address areas of risk within the county operations.

The audit plan for 2012/13 is driven by several factors, including:

1. Mandated audits in accordance with California Government Code and Board of Supervisors' Resolutions;
2. The comprehensive county-wide risk assessment conducted by the independent contractor, IntelliBridge Partners; and
3. Changes within the audit profession.

The recognition that internal auditors provide both assurance and consulting services while retaining their independence and objectivity is a cornerstone of the new professional definition. Its reality is demonstrated by our changing role in the county. Increasingly, customers seek our assistance and counsel as they address business issues rather than wait for a "post audit" process to validate or critique their efforts.

Internal Audit Peer Review

California Government Code requires county (IA) Internal Audit departments to follow either the International Standards for the Professional Practice of Internal Auditing established by the (IIA) Institute of Internal Auditors, or the Government Auditing Standards established by the (GAO) Government Accountability Office. Riverside County follows the IIA standards. These standards require the performance of an independent external quality assurance review (peer review) every five years. The Auditor-Controller's Office participates in the State Association of County Auditor's peer review program. This program keeps the cost of peer reviews to a minimum by reciprocal peer review agreements; Orange County will be performing our peer review during fiscal year 2012/13.

The objective of the peer review is to assess the Internal Audit Activity's compliance with the International Standards for the Professional Practice of Internal Auditing.

The review will include:

- ◆ Assessing the efficiency and effectiveness of the Internal Audit activity in light of its charter, the expectations of the Board of Supervisors, the Auditor-Controller, the Executive Office and the Chief of Audits;
- ◆ Providing an opinion on IA's conformance to the spirit and intent of professional audit standards; and
- ◆ Identifying opportunities and suggestions for enhancing the operations of the IA activity.

The Internal Audit Division will utilize the analysis presented in the Peer Review to strengthen their operations and will correct any deficiencies noted, if any.

Organizational Structure & Staffing

Recruiting qualified Internal Auditors in the public sector has been a challenge over the past two years throughout California. We have recently seen a positive change in the quality of candidates competing for vacant positions during the past three months and have been able to fill vacant positions. We anticipate having all positions filled by November 2012.

Individual staff of the Internal Audit Division are active members of professional audit organizations. This includes the Institute of Internal Auditors, the American Institute of Certified Public Accountants, the Association of Government Accountants, and the California State Association of County Auditor's - Audit Chief's Committee. This active involvement with professional organizations ensures auditors have access to updated technical guidance and professional networking opportunities that are crucial to professional development and to the sharing of valuable information and ideas with peers.

We continue to recruit Internal Auditors with professional designations and encourage existing employees to enhance their professional effectiveness and credibility by earning advanced degrees and designations relevant to the profession of internal auditing.

Fiscal Year 2012/13 Audit Plan

The Internal Audit Plan for the fiscal year 2012/13 is designed to meet the objective of providing a timely and comprehensive scope of audit coverage. The Audit Plan constitutes the schedule of audits comprised of planned audits, other direct audit activities, and an allocation of time for requested audits, which may arise during the course of the year. The latter recognizes we exist in a dynamic environment and the Audit Plan requires some margin of flexibility.

Risk assessment is a fundamental auditing concept premised on the need to concentrate our efforts in the areas of the greatest relative risk. This is a more efficient and focused approach to providing audit coverage on a cyclical basis. "Risk" for this purpose does not imply any unwarranted business strategy or lack of management oversight; however, most risk is inherent in the business activity. As such, while most of our audits are cyclically driven by the requirements of the Government Code and Board of Supervisors' Resolutions, the scope of those audits will be dictated by the comprehensive county-wide risk assessment conducted by the independent contractor, IntelliBridge Partners.

The Audit Plan is intended to represent our primary means of providing audit coverage to the areas identified as having the highest business risks while complying with the requirements of the Government Code. It also provides broad audit coverage to the various components of the county's business operations.

Our audits are largely focused on adding value and improving the departments' operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and control.

Mandated Audits. California Government Code requires the Board of Supervisors to audit the financial accounts and records of all officers having responsibility for the care, management, collection or disbursement of county funds every two years and a quarterly count of assets held by the Treasurer. Government Code also requires the Auditor-Controller to ensure the scope of internal audits includes an examination of the organization's system of internal controls and follow-up on prior audit findings and recommendations.

Special Concerns and Other Allocation of Audit Time. We reserved audit hours to address audits of concern from the Board of Supervisors and potential incidents of fraud, waste and abuse identified through the Fraud, Waste, and Abuse Program.

Fiscal Year 2012/13 Audit Plan

Audit Project	Department	Reason for Audit
Education, Recreation & Culture		
Edward Dean Museum	EDA	Internal Control/Operational Review
County Libraries	EDA	Internal Control/Operational Review
Enterprise Funds		
Grant Management	RCRMC	Recommended per County-wide Risk Assessment
Waste Management	Waste Management	Internal Control/Operational Review
Flood Control	Flood Control	Internal Control/Operational Review
General Government		
Assessor-County Clerk-Recorder	Assessor-County Clerk-Recorder	Internal Control/Operational Review
HR Recruitment Process	Human Resources	Recommended per County-wide Risk Assessment
County Counsel	County Counsel	Internal Control/Operational Review
Purchasing	Purchasing	Follow up/Desk Review
Clerk of the Board	Clerk of the Board	Follow up/Desk Review
Treasurer Tax Collector	Treasurer Tax Collector	Internal Control/Operational Review
1st Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
2nd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
3rd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
4th Quarter Treasury Verification	Treasurer-Tax Collector	Mandated

Fiscal Year 2012/13 Audit Plan

Audit Project	Department	Reason for Audit
<i>Health & Sanitation</i>		
HR Recruitment Process	Mental Health	Recommended per County-wide Risk Assessment
Grant Management	CHA	Recommended per County-wide Risk Assessment
Environmental Health	CHA	Internal Control/Operational Review
<i>Internal Service Funds</i>		
RCIT	RCIT	Internal Control/Operational Review
<i>Public Assistance</i>		
Grant Management	Community Action	Recommended per County-wide Risk Assessment
Veterans Services	Veterans Services	Internal Control/Operational Review
<i>Public Protection</i>		
HR Recruitment Process	District Attorney	Recommended per County-wide Risk Assessment
HR Recruitment Process	Sheriff	Recommended per County-wide Risk Assessment
Grant Management	Probation	Recommended per County-wide Risk Assessment
Grant Management	Fire	Recommended per County-wide Risk Assessment
Contract City Rates	Fire	Follow up/Desk Review
Administrative Services	Fire	Follow up/Desk Review
Probation	Probation	Follow up/Desk Review

Fiscal Year 2012/13 Audit Plan

Audit Project	Department	Reason for Audit
<i>Public Ways & Facilities</i>		
Grant Management	Transportation	Recommended per County-wide Risk Assessment
County Airports	EDA	Internal Control/Operational Review
Building & Safety	TLMA	Internal Control/Operational Review
Project Management Office	EDA	Follow up/Desk Review
<i>Special Districts</i>		
Housing Authority	EDA	Internal Control/Operational Review

Dedication of Resources to Audit Related Services

Our Audit Plan is based on services to be provided by our audit professionals. In addition to the audit projects outlined in the audit plan, audit staff will be involved throughout the year in various other audit initiatives and tasks as follows:

Cash Shortages/Overages. We will continue to devote time to the reviews of departmental cash shortages and overages throughout the year.

Review of Special Districts' Financials. The Auditor-Controller has the responsibility to ensure Special Districts receive an annual financial audit. These audits are usually performed by public accounting firms. Internal Audit staff monitors the submission of Special Districts' financial statements to ensure they are conducted as required by Government Code and reviews the reports in order to identify any concerns.

Transition from TeamMate Audit Management System to Microsoft SharePoint. With the implementation of electronic working papers in fiscal year 2004/05, we have achieved an increased level of efficiency in conducting audits. TeamMate's audit software eliminates the barriers associated with paper-filled binders and disconnected electronic files, driving efficiencies into all facets of the internal audit workflow. However, the IT Division of the Auditor-Controller's Office is in the planning stages of implementing the usage of SharePoint to replace the shadow system TeamMate and provide a cost savings of approximately \$10,000 a year. This migration to utilizing the new software requires complete project management and technical attributes and involvement from the IT Division along with the Internal Audit staff (the end user) to ensure all components are transferred and we are provided with the same tools and resources to have an effective audit management system.