

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

905



FROM: County Auditor-Controller

SUBMITTAL DATE:
August 13, 2015

SUBJECT: Riverside County Auditor-Controller's Office FY 2015/16 Internal Audit Plan. [District: ALL]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the Riverside County Auditor-Controller's Office FY 2015/16 Internal Audit Plan.

BACKGROUND:

Summary

We have prepared the FY 2015/16 Internal Audit Plan in accordance with the International Standards for the Professional Practice of Internal Auditing. The audit plan is consistent with the requirements of California Government Code Sections 1236 and 25250.

Departmental Concurrence

Paul Angulo
Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$	\$	\$	\$	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	

SOURCE OF FUNDS:

Budget Adjustment:

For Fiscal Year:

C.E.O. RECOMMENDATION

APPROVE

BY: *Imelda Delos Santos*

County Executive Office Signature

Imelda Delos Santos

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-8

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Riverside County Auditor-Controller's Office FY 2015/16 Internal Audit Plan [District: All];
[\$0]**

DATE: August 13, 2015

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

The Internal Audit Plan for fiscal year 2015/16 includes 35 audits. The plan 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.

Impact on Citizens and Businesses

Provide reliable, independent, objective assessments of the adequacy and effectiveness of county internal controls.

SUPPLEMENTAL:

Additional Fiscal Information

N/A

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office FY 2015/16 Internal Audit Plan.

Riverside County
Auditor-Controller's Office
Internal Audit & Specialized
Accounting Division



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COUNTY OF RIVERSIDE

Paul Angulo
CPA, CGMA, MA

FY 2015/16
Audit Plan



Internal Audit is established as a function within the Internal Audit & Specialized Accounting Division of the Riverside 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 Audit assists all levels of the 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
- ◆ Economy and efficiency of operations and resource usage

OUR MISSION

To provide high quality, independent fiscal services and advice in accordance with the laws and professional standards in an ethical, efficient, and responsive manner through our financial integrity and transparency to promote and assure accountability and public trust.

Executive Summary

The primary goal of Internal Audit function 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 Audit 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. 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 our focus on identifying opportunities for reducing costs and optimizing revenues as well as mitigating other significant exposures.

The Internal Audit Plan for fiscal year 2015/16 includes 35 audit projects, respectively. We have allocated audit hours and resources to comply with Board of Supervisors' and management requests and 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 Audit 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 2015/16 is driven by several factors, including:

1. Mandated audits in accordance with California Government Code and Board of Supervisors' Resolutions.
2. Consultations with county management.
3. Changes within the audit profession.
4. The changing role of internal auditors within the county.

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 Internal Audit departments to follow either the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors, or the Government Auditing Standards established by the 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 performed 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 included:

- ◆ 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 Internal Audit's conformance to the spirit and intent of professional audit standards.
- ◆ Identifying opportunities and suggestions for enhancing the operations of the Internal Audit activity.

The Internal Audit function will utilize the analysis presented in the Peer Review to strengthen our operations.

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 and have been able to fill vacant positions.

Individual staff of the Internal Audit function are active members of professional 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 2015/16 Audit Plan

The Internal Audit Plan for fiscal year 2015/16 includes 35 audits. The plan 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 plans require 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 a risk assessment conducted prior to audit commencement.

The Internal 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.

Mandated Audits. California Government Code Section 25250 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 Government Code Section 26920 and 26922 requires a quarterly count of assets held by the Treasurer. The Auditor-Controller ensures 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 2015/16 Audit Plan

Audit Project	Department	Reason for Audit
<i>Education</i>		
County Free Library	EDA	Mandated
<i>General Government</i>		
County Counsel	County Counsel	Mandated
Project Management	EDA	Follow up/Desk Review
Executive Office	Executive Office	Mandated
Human Resources	Human Resources	Mandated
HR - Ghost Employees	Human Resources	Follow up/Desk 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
Grant Management	Fire Department	Follow up/Desk Review
HR Recruitment Process	Human Resources	Follow up/Desk Review

Fiscal Year 2015/16 Audit Plan

Audit Project	Department	Reason for Audit
<i>Health & Sanitation</i>		
Environmental Health	Environmental Health	Mandated
Environmental Health	Environmental Health	Follow up/Desk Review
Mental Health	Mental Health	Mandated
Public Health	Public Health	Mandated
Public Health	Public Health	Follow up/Desk Review
Waste Management	Waste Management	Mandated
Waste Management	Waste Management	Follow up/Desk Review
<i>Public Assistance</i>		
Community Action Partnership	Community Action Partner- ship	Mandated
Department of Public Social Services	DPSS	Mandated
Housing Authority	EDA	Mandated
Veterans Services	Veterans Services	Mandated
<i>Public Protection</i>		
Department of Child Support Services	DCSS	Mandated
District Attorney	District Attorney	Mandated

Fiscal Year 2015/16 Audit Plan

Audit Project	Department	Reason for Audit
Fire	Fire	Mandated
Fire	Fire	Follow up/Desk Review
Public Defender	Public Defender	Mandated
<i>Public Ways and Facilities</i>		
TLMA Agency	TLMA	Mandated
<i>Recreation and Culture</i>		
Edward Dean Museum	EDA	Mandated
Edward Dean Museum	EDA	Follow up/Desk Review
<i>Countywide</i>		
Change Orders—Contracts	Various	Internal Control
Vendor Discounts	Various	Internal Control
Bid Splitting	Various	Internal Control
Overtime Monitoring	Various	Internal Control

Dedication of Resources to Audit Related Services

Our audit plans are based on services to be provided by our audit professionals. In addition to the audit projects outlined in the audit plans, 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.

Fraud Hotline Management. Internal Audit staff perform oversight responsibility of managing the Fraud Hotline database. Responsibilities include ensuring that submitted fraud incidents are forwarded to the appropriate individuals, providing updates to reporters of incidents, ensuring incidents are completed in the required timeframe and ensuring the Fraud Hotline database is kept up-to-date.

Internal Service Fund (ISF) and General Service System (GSS) Rate Review. Internal Audit staff review ISF and GSS rates for the county. Review involves determining the reasonableness of the methodology used to develop the rates. In addition, ISF and GSS rates are reviewed to ensure compliance with Executive Office guidelines.

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Public Health	Public Health	Follow up/Desk Review
Waste Management	Waste Management	Mandated
Waste Management	Waste Management	Follow up/Desk Review
Public Assistance		
Community Action Partnership	Community Action Partnership	Mandated
Department of Public Social Services	DPSS	Mandated
Housing Authority	EDA	Mandated
Veterans Services	Veterans Services	Mandated
Public Protection		
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Fiscal Year 2015/16 Audit Plan

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