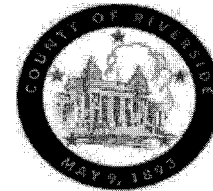


SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
2.4

MEETING DATE:

Tuesday, November 8, 2016

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR CONTROLLER: Riverside County Auditor-Controller's Office Fiscal
Year 2016/17 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 2016/17 Internal Audit Plan.

Consent

Paul Angulo

Paul Angulo, Director of Auditor Controller 10/28/2016

BACKGROUND:

Summary

We have prepared the FY 2016/17 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.

The primary goal of the Internal Audit function is to ensure taxpayer confidence and provide fiscal oversight by conducting audits that provide reliable, independent, objective assessments of the adequacy and effectiveness of internal controls.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: NO	
			For Fiscal Year: N/A	

C.E.O. RECOMMENDATION:

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: November 8, 2016
xc: Auditor

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

2-4

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

BACKGROUND:

Summary (continued)

The Internal Audit Plan for fiscal year 2016/17 includes 55 audits and is designed to meet the objective of providing a timely and comprehensive scope of audit coverage. It constitutes the schedule of audits, other direct audit activities and an allocation of time for requested audits, which may arise during the course of the year.

Impact on Residents and Businesses

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

SUPPLEMENTAL:

Additional Fiscal Information

N/A

ATTACHMENT A:

Riverside County Auditor-Controller's Office FY 2016/17 Internal Audit Plan.

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



We Believe In...

*"Creating Value and
Making a Difference"*

ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo CPA, MA

FY 2016/17
Audit Plan

Internal Audit is established as a function within the Internal Audit & Specialized Accounting Division of the Riverside County Auditor-Controller's Office. Pursuant to Government Codes 26883, 25250, and Riverside County Board of Supervisors' Resolution No. 83-338, *"Establishing Authority and Declaring Policy For Internal Audits"*, authorizes the Auditor-Controller to audit the 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 the Internal Audit function is to ensure taxpayer confidence and provide fiscal oversight of county departments. We provide support to 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 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
- Operational audits which involve reviews directed towards improving efficiency and cost savings

The Internal Audit function applies the International Standards for Professional Practice of Internal Auditing to all audits. The development of this audit plan is in compliance with the aforementioned standards and is driven by legal mandates, an independent county-wide risk assessment, and information gathered through consultations with county management.

The Internal Audit Plan for fiscal year 2016/17 includes 55 audit projects. 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

Our long-term goal is to develop a team of highly proficient audit professionals to meet the increasing demands of a growing Riverside County. We will meet the audit requirements established by Government Codes 1236 and 25250 and Board of Supervisor's Resolution 83-338, and will continue to identify and address areas of risk within the county operations.

The audit plan for 2016/17 is driven by several factors, including:

1. Mandated audits in accordance with California Government Code and Board of Supervisors' Resolution.
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 audit 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 counties 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 2013/14.

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 includes:

- ◆ Assessing the efficiency and effectiveness of the Internal Audit activity as it pertains to 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 its operations.

Organizational Structure & Staffing

Individual staff of the Internal Audit function are active members of professional organizations. This includes the Institute of Internal Auditors 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. Also, through these memberships Internal Auditors receive continuous training improving the skill set of each individual staff member. Training is focused and specialized for our work environment and include topics such as fraud, risk management, internal control frameworks among other topics related to our field.

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

Fiscal Year 2016/17 Audit Plan

The Internal Audit Plan for fiscal year 2016/17 includes 55 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, other direct audit activities, and an allocation of time for requested audits, which may arise during the course of the year.

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, 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 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 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.

Fiscal Year 2016/17 Audit Plan

Audit Project	Department	Reason for Audit
Education		
Cooperative Extension	Riverside County University of Cooperative Extension	Follow-up to Audit Report 2014-017
County Libraries	Economic Development Agency	Follow-up to Audit Report 2013-006
General Government		
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
Assessor	Assessor	Mandated
Assessor	Assessor	Follow-up to Audit Report 2013-007
Board of Supervisors	Board of Supervisors	Follow-up to Audit Report 2015-014
Clerk of the Board	Clerk of the Board	Mandated
Clerk of the Board	Clerk of the Board	Follow-up to Audit Report 2014-011
County Counsel	County Counsel	Follow-up to Audit Report 2013-004

Fiscal Year 2016/17 Audit Plan

Audit Project	Department	Reason for Audit
Desert Expo Center	Economic Development Agency	Mandated
Desert Expo Center	Economic Development Agency	Follow-up to Audit Report 2014-006
Energy	Economic Development Agency	Mandated
Energy	Economic Development Agency	Follow-up to Audit Report 2015-004
Parking	Economic Development Agency	Mandated
Project Management Office	Economic Development Agency	Mandated
Registrar of Voters	Registrar of Voters	Mandated
Registrar of Voters	Registrar of Voters	Follow-up to Audit Report 2014-012
Treasurer-Tax Collector	Treasurer-Tax Collector	Mandated
Workforce Development	Economic Development Agency	Mandated
Internal Service Funds		
Purchasing & Fleet Services	Purchasing & Fleet Services	Follow-up to Audit Report 2014-005
Real Estate	Economic Development Agency	Mandated
Records Management	Assessor	Mandated

Fiscal Year 2016/17 Audit Plan

Audit Project	Department	Reason for Audit
Public Assistance		
Office on Aging	Office on Aging	Mandated
Office on Aging	Office on Aging	Follow-up to Audit Report 2014-014
Office on Aging	Office on Aging	Follow-up to Audit Report 2014-019
Public Protection		
Agricultural Commissioner	Agricultural Commissioner	Mandated
Animal Services	Animal Services	Mandated
Building and Safety	Transportation and Land Management Agency	Mandated
Building and Safety	Transportation and Land Management Agency	Follow-Up to Audit Report 2013-008
Code Enforcement	Transportation and Land Management Agency	Mandated
Code Enforcement	Transportation and Land Management Agency	Follow-up to Audit Report 2014-009
Code Enforcement—AVA	Transportation and Land Management Agency	Follow-up to Audit Report 2014-020
Coroner	Sheriff	Mandated
Coroner	Sheriff	Follow-up to Audit Report 2014-015
Department of Child Support Services	Department of Child Support Services	Follow-up to Audit Report 2014-013

Fiscal Year 2016/17 Audit Plan

Audit Project	Department	Reason for Audit
Emergency Management Department	Emergency Management Department	Mandated
Planning	Transportation and Land Management Agency	Mandated
Probation	Probation	Follow-up to Audit Report 2014-008
Public Administrator	Sheriff	Mandated
Public Administrator	Sheriff	Follow-up to Audit Report 2014-016
Public Guardian	Public Guardian	Mandated
Public Ways and Facilities		
Aviation	Economic Development Agency	Mandated
Aviation	Economic Development Agency	Follow-up to Audit Report 2013-005
Transportation	Transportation and Land Management Agency	Mandated
Special Districts and Other Agencies		
Children and Families Commission	Department of Public Social Services	Mandated
Flood Control	Flood Control and Water Conservation District	Mandated

Fiscal Year 2016/17 Audit Plan

Audit Project	Department	Reason for Audit
Countywide		
Overtime Monitoring	Various	Monitoring Report
Procurement Cards	Various	Follow-up to Audit Report 2014-010
Purchase Order Compliance	Various	Follow-up to Audit Report 2014-004
Purchase Order/Bid Splitting	Various	Internal Control
Revolving Funds	Various	Follow-up to Audit Report 2014-002
Vendor Discounts	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, ensuring the Fraud Hotline database is kept up-to-date, and conduct reviews & investigations of reported incidents relating to financial and internal control matters.

Internal Service Fund (ISF) and General Support Service (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 State Controller Mandated guidelines & Executive Office guidelines.