

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



ITEM
2.3
(ID # 7973)

MEETING DATE:
Tuesday, September 18, 2018

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Riverside County Auditor-Controller's Office FY 2018/19
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 2018/19 Internal Audit Plan.


ACTION: Consent


Paul A. Angulo, County Auditor-Controller 9/6/2018

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried,
IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Washington, Perez and Ashley
Nays: None
Absent: Tavaglione
Date: September 18, 2018
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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

BACKGROUND:

Summary

We have prepared the FY 2018/19 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 Internal Audit Plan for fiscal year 2018/19 includes two overtime monitoring projects and 35 audits.

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: Approve

Impact on Residents and Businesses

Provide oversight of taxpayer operational assets.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller's Office FY 2018/19 Internal Audit Plan.

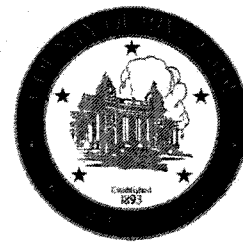

Stephanie Ponce, Principal Management Analyst 9/10/2018



Paul Angulo, CPA, MA
Auditor-Controller

FY 2018/19
Audit Plan

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



*“Creating Value and
Making a Difference”*

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



Executive Summary

The primary objectives of the Internal Audit function is to provide fiscal oversight of county departments and give an independent assessment of county operations. We provide support to the Board of Supervisors and county management in meeting their missions and stewardship responsibilities to the constituents of this county, by conducting audits that provide reliable, independent, objective assessments of the adequacy and effectiveness of internal controls. Internal controls are processes established by management to safeguard assets, 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 financial resources are being properly managed and accounted for, the County of Riverside is complying with the applicable policies and laws, and review of county operations. Internal Auditing covers a broad range of activities including:

- ◆ Testing transactions for compliance with accepted business practices
- ◆ Reviews of internal control
- ◆ 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 and information gathered through consultations with management.

The Internal Audit Plan for fiscal year 2018/19 includes 35 audit projects, two overtime monitoring projects, an internal audit control self-assessment as part of our quality assurance and improvement program, and 8 audit projects from FY 2017/18 that are nearing completion. We have allocated audit hours and resources to comply with Board of Supervisors' and management requests. Additional coverage has also been allocated for the assistance to the Fraud, Waste, and Abuse Committee for the administration and investigation of reports received through the county's Fraud, Waste, and Abuse Program.

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 monitor the submission of Special Districts' financial statements to ensure they are conducted as required by Government Code and review the reports in order to identify any concerns.

Fraud Hotline Management. Internal Audit staff performs oversight responsibility of managing the Fraud Hotline database. Responsibilities include the following:

- ◆ 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
- ◆ 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 and Executive Office guidelines.

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. The County of Santa Cruz will be performing a peer review of the Internal Audit activity this fiscal year.

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.

Fiscal Year 2018/19 Audit Plan

The Internal Audit Plan for fiscal year 2018/19 includes 35 audits, two overtime monitoring projects, an internal audit control self-assessment as part of our quality assurance and improvement program, and 8 audit projects from FY 2017/18 that are nearing completion. 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 and other direct audit activities which arise during the course of the year.

The Internal Audit Plan is intended to represent our primary means of providing audit coverage that allows us to comply with the requirements of Government Code 25250 and Board Resolution 83-338. It also provides broad audit coverage to the various components of the county's business operations.

To address the risk, risk assessments are performed at the engagement level as a fundamental auditing procedure 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, risk is inherent in any business activity. As such, while most of our audits are cyclically driven by the requirements of the Government Code 25250, the scope of those audits will be dictated by a risk assessment conducted prior to audit commencement.

Our audits are 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. 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 potential incidents of fraud, waste and abuse.

Fiscal Year 2018/19 Audit Plan

Education, Recreation, & Cultural Services		
Cooperative Extension	Economic Development Agency	Mandated
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-County Clerk-Recorder	Assessor-County Clerk-Recorder	Follow-up to audit report 2015-020
Clerk of the Board	Clerk of the Board	Follow-up to audit report 2017-004
County Counsel	County Counsel	Mandated
County Counsel	County Counsel	Follow-up to audit report 2015-023
County Facilities District	Executive Office	Mandated
Desert Expo Center—Date Festival	Economic Development Agency	Mandated
Registrar of Voters	Registrar of Voters	Follow-up to audit report 2017-010

Fiscal Year 2018/19 Audit Plan

Treasurer-Tax Collector	Treasurer-Tax Collector	Mandated
Internal Service Funds		
Central Mail	Purchasing & Fleet Management	Follow-up to audit report 2015-001
Facilities Management	Economic Development Agency	Follow-up to audit report 2015-006
Risk Management	Human Resources	Follow up to audit report 2015-006
Information Technology	Riverside County Information Technology	Follow-up to audit report 2013-011 & 2017-326
Public Assistance		
Office on Aging	Office on Aging	Mandated
Public Protection		
Agricultural Commissioner	Agricultural Commissioner	Mandated
Agricultural Commissioner	Agricultural Commissioner	Follow up to audit report 2017-003
Animal Services	Animal Services	Mandated
Building and Safety	Transportation & Land Management Agency	Mandated
Building and Safety	Transportation & Land Management Agency	Follow up to audit report 2017-015
Code Enforcement	Transportation & Land Management Agency	Mandated
Code Enforcement	Transportation & Land Management Agency	Follow up to audit report 2017-017

Fiscal Year 2018/19 Audit Plan

Emergency Management Department	Emergency Management Department	Mandated
Planning	Transportation & Land Management Agency	Mandated
Planning	Transportation & Land Management Agency	Follow up to audit report 2017-018
<i>Public Ways & Facilities</i>		
Transportation	Transportation and Land Management Agency	Mandated
Transportation	Transportation and Land Management Agency	Follow up to audit report 2017-014
<i>Special Districts & Other Agencies</i>		
Children & Families Commission—First Five	Children & Families Commission—First Five	Mandated
Children & Families Commission—First Five	Children & Families Commission—First Five	Follow up to audit report 2017-009
Flood Control & Water Conservation District	Flood Control & Water Conservation District	Mandated
In-Home Supportive Services Public Authority	In-Home Supportive Services Public Authority	Mandated
Perris Valley Cemetery	Economic Development Agency	Mandated

Fiscal Year 2018/19 Audit Plan

Countywide		
Overtime Monitoring (Annual Report)	Various	Monitoring Report
Overtime Monitoring (Mid Year Report)	Various	Monitoring Report