

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



ITEM: 2.6
(ID # 23395)

MEETING DATE:
Tuesday, November 07, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Fiscal Year 2023/24 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 2023/24 Internal Audit Plan.

ACTION:Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/31/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington and Perez
Nays: None
Absent: Gutierrez
Date: November 7, 2023
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board

By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION:

BACKGROUND:

Summary

We prepared the FY 2023/24 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, 25250, 26920(a) and 26922.

The Internal Audit Plan for fiscal year 2023/24 includes 22 mandated audit projects, 35 follow-up audits, four quarterly verification of assets held by the county treasurer, and one monitoring project (Procurement Cards).

Impact on Citizens and Businesses

Provide oversight of taxpayer assets.

SUPPLEMENTAL:

Additional Fiscal Information

N/A

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office FY 2023/24 Internal Audit Plan.



Ben J. Benoit

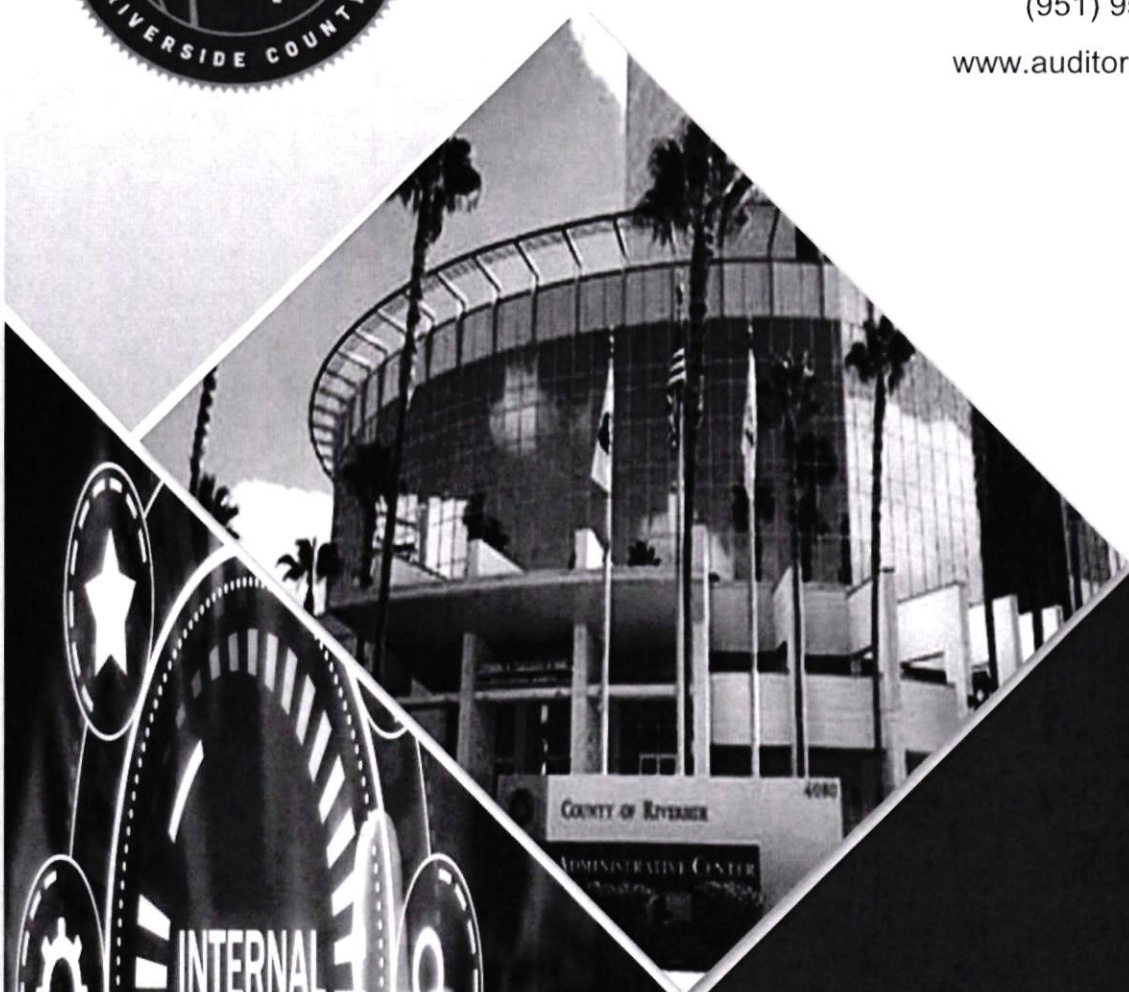
Riverside County Auditor-Controller

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FY 2023/24 Audit Plan

November 7, 2023

"Creating Value and Making a Difference"

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Auditor-Controller Governing Authority

Established under Government Code Sections 24000 et seq. and Government Code 26900 et seq., the Auditor is an Elected Official with a 4-year term. Subsequent to Government Code Section (§) 26880 et seq. and Board of Supervisors Resolutions dated April 15, 1957, and June 17, 1957, the Auditor Controller's primary duty and responsibility is as chief accounting and disbursing officer of the Riverside County (County). Additionally, the Auditor-Controller is the chief audit executive for the county as established by California Government Code Section (§) 26883 and designated by Resolution No. 83-338 of the County's Board of Supervisors.

Independence and Objectivity

As an elected official, the Auditor-Controller is independent from the County's organizational structure, which allows objective reporting of audit results. The Internal Audits Division is organizationally structured in a manner that assures the independence of audit activities. The Internal Audit Charter along with California Government Code, clearly provide the Internal Audit activity with the authority to conduct independent audits.

Internal Audit Division Mission Statement

The mission of Internal Audit is to support the County of Riverside achieve its overall service objectives for county citizens by providing independent and objective assessments of business risks, identifying, and recommending internal controls to safeguard assets, improve the reliability and integrity of financial and non-financial information, enhance the efficiency and effectiveness of county operational processes, and ensure compliance with laws, regulations, and policies.

Internal Audit Charter

Internal Audit is established as a function within 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 policies, laws, and regulations
- Safeguarding of assets
- The reliability and integrity of financial and non-financial information
- Efficiency and effectiveness of operations and resource use

Objectives and Responsibilities

The primary objectives of the Internal Audit function are 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 and non-financial information, promote the efficiency and effectiveness of operational processes, and ensure compliance with laws, regulations, and policies.

Internal Auditing covers a broad range of audit areas including:

- Testing transactions for compliance with accepted business practices.
- Review of internal controls over financial and non-financial operations.
- Operational audits which involve reviews directed towards improving efficiency and cost savings.
- Evaluating risk exposure relating to the achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the internal controls for the safeguarding assets and verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the management.

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 standards and is driven by legal mandates and information gathered through research.

Dedication Of Resources to Audit Related Services

The audit plan is based on services provided by Auditor-Controller internal 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' and Joint Power Authorities' Financials. The Auditor-Controller has the responsibility to ensure Special Districts and Joint Power Authorities receive an annual financial audit. These audits are generally delegated to public accounting firms. Internal Audit staff monitor the submission of these agencies 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 the Fraud Hotline. Responsibilities include the following:

- Ensure fraud incidents are forwarded to department senior management for appropriate response.
- Provide updates to incident reporters.
- Ensure incidents are completed as required.
- Ensure the Fraud Hotline database is updated timely.
- Conduct reviews and investigations of reported incidents relating to financial and internal control matters as directed by the Fraud, Waste, and Abuse Committee.

Review of Rates Developed by County Departments. Internal Audit staff review rate development methodologies used by county departments to develop billable rates for services provided to the public or to other county departments. The Auditor-Controller's Office does not calculate the rates but has been entrusted by the Board of Supervisors to review the reasonableness of the methodology used to develop the rates. In addition, rates are reviewed to ensure compliance with mandated guidelines and government codes.

Accomplishments For Fiscal Year 2022/23

During Fiscal Year 2022-23, the Internal Audit Division:

- Issued a total of 54 internal audit reports:
 - ❖ 23 mandated audit reports identifying 60 areas for improvement and containing 116 recommendations to strengthen areas with internal controls.
 - ❖ 27 follow-up audit reports to ensure implementation of prior recommendations issued.
 - ❖ Three verification reports and one audit report reviewing the Statement of Assets held by the County Treasurer (audit was conducted by county external auditors).
- Conducted a countywide risk assessment by obtaining input on risk areas from the Board of Supervisors, seven central service departments, and the county's external auditors. The results of our discussions on risk will be the main audit focus points for Fiscal Year 2023/24 and Fiscal Year 2024/25 audit projects.
- Collaborated with Riverside County Information Technology and Human Resources to bring a countywide solution to a countywide problem discovered as a result of our audits.
- Completed the review of rate methodologies for 11 departments.
- Handled 43 new incidents reported through the Fraud, Waste, and Abuse Hotline.
- Compiled the Schedule of Expenditures of Federal Awards for the County's Fiscal Year 2021/22 Single Audit.
- Monitored the audits of 82 special districts and joint power authorities.

Status Of Fiscal Year 2022/23 Audit Plan

In Fiscal Year 2022/23, the audit plan was adjusted as a result of the change in administration in the Auditor-Controller's Office. This adjustment was made to give time for the new administration to establish a new tone in communication with all county departments. As a result of the adjustment, the audit project and monitoring reports removed from the audit plan was a follow-up audit of the Sheriff Department, the Overtime Monitoring Report, and the procurement card monitoring report. The follow-up of the Sheriff Department will be conducted in Fiscal Year 2023/24, the Overtime Monitoring Report will no longer be issued or be part of the audit plan, and the procurement card monitoring report is part of the Fiscal Year 2023/24 audit plan. All other audits were completed as of fiscal year-end, and audit reports were issued and made public before August 31, 2023.

Fiscal Year 2023/24 Audit Plan

The Internal Audit Plan for FY 2023/24 contains a total of 62 audit projects, which includes 22 mandated audit projects, 35 Follow-up audit projects, four quarterly verifications of assets held by the County Treasury, and one procurement card monitoring report. The plan is designed to meet the objective of providing a timely and comprehensive scope of audit coverage and constitutes the schedule of audits and other direct audit activities which arise during the year.

The Internal Audit Plan is intended to represent our primary means of providing audit coverage to comply with the requirements of Government Code 1236, 25250, 26920(a), 26922, and Board Resolution 83-338. It also provides broad audit coverage to the various components of the county's business operations.

To address the risks¹, the Internal Audit Division initiated and completed a countywide risk assessment to prioritize the allocation of audit resources. This risk assessment has help identify risks associated with general county operations, how these risks impact the achievement of organizational objectives, and how respective risks are mitigated. Input from members of the Board of Supervisors, central departments' executive management (Auditor-Controller's Office, County Counsel, Executive Office, Human Resources, Information Technology, Purchasing Department, and Treasurer/Tax Collector), and county external auditors was obtained. Input from these parties was critical and helped identify the countywide risk areas that will mainly be the focus of the audits we conduct this fiscal year and next.

Our objective is to help instill confidence in the risk management processes by independently and objectively evaluating the internal controls designed and put in place by management to help with overall governance. We 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.

As a result of the countywide risk assessment, general risk themes were identified, and each risk concern addressed by respective participants were categorized into each of the following risk themes:

- Accounting practices and compliance with Standard Practice Manuals published by the Auditor-Controller's Office
- Riverside County Board policies compliance
- County ordinance compliance
- Payroll & Human Resources policies compliance and practices

¹ "Risk," for this purpose, does not imply any unwarranted business strategy or lack of management oversight; however, risk is inherent in any business activity ability to meet its stated mission.

- Contract and vendor management
- Asset and equipment management
- Grant Management & Compliance
- Compliance with laws and regulations – specific laws and regulations impacting respective county departments' operations.
- Service delivery by county departments
- Network security and application controls – this also includes physical security to restricted areas.

We will continue to conduct risk assessments at each engagement level as a fundamental auditing procedure to also include department specific operational risk and further analyze how each county department is managing the risk identified in our discussions during our countywide risk assessment meetings. This will ensure our continuous assessment of the countywide risks as it relates to each county department, and address those risk associated with the unique operations of each department.

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 and have also allocated audit hours and resources to comply with Board of Supervisors' and management requests.

Audit Initiatives for Fiscal Year 2023/24

New Forms of Monitoring Reports

New forms of monitoring reports will be introduced with the purpose of providing the Board of Supervisors and county management with relevant, timely, and significant transactions, activities, and trends. Some of these reports will be provided through a board agenda item and others, depending on the sensitivity, will be provided directly to Board members and county management.

New Audit Management System

A new audit management system will be implemented this year. This strategic initiative is expected to help us advance our operational framework. The system's incorporation will introduce a range of capabilities designed to elevate our audit processes. It will facilitate enhanced collaboration within our internal audit team, offer real-time monitoring of audit milestones, and enable comprehensive data analysis to facilitate well-informed decision-making. County departments under audit will benefit from improved services through an intuitive platform for streamlined document submission, transparent tracking of audit timelines, and regular status updates. We expect the system's automation and improved workflows will yield operational efficiencies and enhanced capabilities.

Internal Audit Resources

Budgeted Positions

Position	Authorized for FY 2023/24	Filled as of September 15, 2023
Assistant Auditor-Controller	1.0	1.0
Deputy Auditor Controller	1.0	1.0
Chief Accountant	1.0	0.0
Principal Accountant	1.0	1.0
Supervising Internal Auditor	2.0	1.0
Senior Internal Auditor	5.0	3.0
Internal Auditor II	2.0	2.0
Internal Auditor I	3.0	3.0
Total	16	12

Audit And Other Projects for The Fiscal Year

<i>Department</i>		<i>Reason for Audit (Gov't Code 25250) & Board Resolution 83-338</i>
1.	Behavioral Health	Mandated
2.	Child Support Services	Mandated
3.	Community Action Partnership	Mandated
4.	County Airports (TLMA)	Mandated
5.	County Service Area	Mandated
6.	District Attorney	Mandated
7.	Edward Dean Museum	Mandated
8.	Environmental Health	Mandated
9.	Human Resources	Mandated
10.	Information Technology	Mandated
11.	Medical Center	Mandated
12.	Office of Economic Development	Mandated
13.	Parks	Mandated
14.	Planning	Mandated
15.	Probation	Mandated
16.	Public Defender	Mandated
17.	Public Health	Mandated
18.	Public Social Services (DPSS)	Mandated
19.	Sheriff/Coroner	Mandated
20.	Transportation	Mandated
21.	Veterans Services	Mandated
22.	Waste Resources	Mandated

Follow Up Audits		
23.	Agricultural Commissioner (AR# 2023-003)	Follow up
24.	Animal Services (AR# 2022-024)	Follow up
25.	Animal Services (AR# 2023-013)	Follow up
26.	Assessor (AR# 2023-002)	Follow up
27.	Behavioral Health (AR# 2021-202/sb 2020-021)	Follow up
28.	Board of Supervisors/Clerk of the Board (AR# 2023-014)	Follow up
29.	Building and Safety (AR# 2023-016)	Follow up
30.	Children and Families First (AR# 2023-012)	Follow up
31.	Code Enforcement (AR# 2023-009)	Follow up
32.	Community Action Partnership (AR# 2022-008)	Follow up
33.	Cooperative Extension (AR# 2023-008)	Follow up
34.	County Airports (TLMA) (AR# 2022-009)	Follow up
35.	County Counsel (AR# 2023-019)	Follow up
36.	County Service Areas (AR# 2018-021)	Follow up
37.	County Service Areas (AR# 2021-201/sb 2020-020)	Follow up
38.	Emergency Management Dept (AR# 2023-001)	Follow up
39.	Environmental Health (AR# 2022-011)	Follow up
40.	Executive Office (AR# 2023-023)	Follow up
41.	Facilities Management (AR# 2023-004)	Follow up
42.	Flood Control District (AR# 2023-005)	Follow up
43.	Housing Homelessness Workforce (AR# 2023-006)	Follow up
44.	In-Home Sup Services Public Auth (AR# 2023-010)	Follow up
45.	Office of Economic Development (AR#2022-014)	Follow up
46.	Office on Aging (AR# 2023-007)	Follow up
47.	Parks (AR# 2022-007)	Follow up
48.	Perris Valley Cemetery (AR# 2023-021)	Follow up
49.	Probation (AR# 2022-010)	Follow up

Follow Up Audits		
50.	Purchasing and Fleet Services (AR# 2023-011)	Follow up
51.	Registrar of Voters (AR# 2023-020)	Follow up
52.	Sheriff Department (AR# 2020-021/2021-203)	Follow up
53.	Sheriff Department (AR# 2022-018)	Follow up
54.	TLMA-Agency (AR# 2023-018)	Follow up
55.	Treasurer-Tax Collector (AR# 2023-015)	Follow up
56.	Veterans Services (AR# 2022-003)	Follow up
57.	Waste Resources (AR# 2022-012)	Follow up
Non-Audit Reports		
58.	Procurement Card (Annual Report)	Monitoring Report

	Mandated Reviews	Department	Reason for Review (Gov't Code §26920(a) & §26922)
59.	1st Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
60.	2nd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
61.	3rd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
62.	4th Quarter Treasury Verification	Treasurer-Tax Collector	Mandated