

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



ITEM: 2.6
(ID # 26165)

MEETING DATE:
Tuesday, October 08, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Fiscal Year 2024/25 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 2024/25 Internal Audit Plan.

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/2/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: October 8, 2024
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: Approve

BACKGROUND:

Summary

We prepared the FY 2024/25 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 2024/25 includes 22 mandated audit projects, 29 follow-up audits, and four quarterly verification of assets held by the county treasurer.

Impact on Residents and Businesses

Provide oversight of taxpayer assets.

SUPPLEMENTAL:

Additional Fiscal Information

N/A

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office FY 2024/25 Internal Audit Plan.



Ben J. Benoit

Riverside County Auditor-Controller

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**INTERNAL
CONTROL**

FY 2024/25 Audit Plan

October 8, 2024

"Creating Value and Making a Difference"

Table of Contents

Auditor-Controller Governing Authority.....	2
Independence and Objectivity	2
Internal Audit Division Mission Statement	2
Internal Audit Charter	2
Objectives and Responsibilities.....	3
Dedication Of Resources to Audit Related Services	4
Accomplishments For Fiscal Year 2023/24	5
Status Of Fiscal Year 2023/24 Audit Plan.....	5
Fiscal Year 2024/25 Audit Plan	6
Audit Initiatives for Fiscal Year 2024/25.....	8
Audit And Other Projects for The Fiscal Year	10



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

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 the 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



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

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 used

Objectives and Responsibilities

The primary objectives of the Internal Audit function are to provide fiscal and operational 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 and the county overall.
- 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,



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

governance issues, and other matters needed or requested by the management.

The Internal Audit function applies the Global Internal Audit Standards 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 in a timely manner.
- 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.



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

Accomplishments For Fiscal Year 2023/24

During Fiscal Year 2023/24, the Internal Audit Division:

- Completed a total of 60 internal audit projects:
 - ❖ 22 mandated audit reports identifying 71 areas for improvement and containing 140 recommendations to strengthen areas with internal controls.
 - ❖ 30 follow-up audit reports to ensure implementation of a total of 140 prior recommendations issued.
 - ❖ Three treasury asset verification reports and one audit report reviewing the Statement of Assets held by the County Treasurer (audit is conducted by county external auditors).
 - ❖ Four Change of Department Head audit projects that were not part of the audit plan.
- Issued a risk assessment questionnaire and obtained the responses from departments that are part of the audit plan for Fiscal Year 2024/25. The responses to the questionnaire received from departments and the results of the countywide risk assessment conducted in Fiscal Year 2023 will guide the audit focus points for Fiscal Year 2024/25 audit projects.
- Completed the review of rate methodologies for 22 departments.
- Handled 37 new incidents reported through the Fraud, Waste, and Abuse Hotline.
- Compiled the Schedule of Expenditures of Federal Awards for the County's Fiscal Year 2022/23 Single Audit.
- Monitored the audits of 82 special districts and joint power authorities.
- Initiated the use of customer satisfaction surveys in alignment with internal audit best practices to obtain auditee feedback and help improve our services.

Status Of Fiscal Year 2023/24 Audit Plan

In Fiscal Year 2023/24, the audit plan was adjusted to include four Change of Department Head audit projects and the procurement card monitoring report will be part of a continuous auditing program that will be developed because of a new audit management system that was purchased for the internal audit activity. Five follow-up audit projects were not completed as follows:

- Perris Valley Cemetery (AR# 2023-021)
- Sheriff Department (AR# 2020-021/2021-203)
- Sheriff Department (AR# 2022-018)
- Building & Safety (AR# 2023-016)



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

- Registrar of Voters (AR# 2023-020)

Perris Valley Cemetery and the two Sheriff Department audit projects were postponed at the request from department management. Building & Safety and Registrar of Voters were postponed to focus audit resources on conducting the Change of Department audit projects instead. All other audits were completed as of fiscal year-end, and audit reports were issued with the last batch of audit reports scheduled to be issued on October 29, 2024.

Fiscal Year 2024/25 Audit Plan

The Internal Audit Plan for FY 2024/25 contains a total of 51 audit projects, which includes 22 mandated audit projects, 29 Follow-up audit projects, and four quarterly verifications of assets held by the County Treasury. 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 has continued using the results of the countywide risk assessment conducted in Fiscal Year 2022/23 to prioritize the allocation of audit resources. The division has also obtained the input for department specific risk associated with respective operations for departments listed in the audit plan. The risk assessment input has help identify risks associated with general county and department specific operations, how these risks impact the achievement of organizational objectives, and how respective risks are mitigated.

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 areas were identified, and each risk concern addressed by respective participants were categorized into each of the following risk areas:

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.



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

- 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
- Contract and vendor management
- Asset 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 are using the risk assessment questionnaire responses received from departments included in this audit plan to address unique department specific operational risks. This will ensure our continuous assessment of risks related to each county department, and address those risks associated with their unique 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. 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.



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

Audit Initiatives for Fiscal Year 2024/25

Formation an Audit Committee

We are excited to announce that we are working closely with the Executive Office to implement a new initiative: the establishment of an audit committee. This committee will play a critical role in enhancing the county's governance by providing an independent review of our financial reporting and operational processes. The audit committee will ensure greater transparency, improve risk management, and strengthen our internal controls. With this addition, our reporting process will become more robust and aligned with Global Internal Audit Standards.

Continuous Auditing Program

Working to develop a new continuous auditing program, made possible by the recent acquisition of our audit management system. This program will represent a significant enhancement in our auditing capabilities, allowing us to explore and define the specific types of transactions and business processes that will be continuously monitored.

By implementing this continuous auditing program, we aim to ensure that critical financial and operational activities are regularly reviewed in real-time, leading to the immediate detection of discrepancies and potential risks. The benefits to the county include improved accuracy in financial reporting, enhanced risk management, and greater transparency in our operations. This program will ultimately support the county's commitment to accountability and integrity in all its processes.

Formation of a Contract Oversight Unit

Working on the formation of a new Contract Monitoring Unit within the Internal Audit Division, has been made possible with the support of the Board of Supervisors. This unit will be staffed by three new team members who will play a critical role in ensuring vendor contract compliance across the county.

The primary aim of the Contract Monitoring Unit is to safeguard the county's financial interests by ensuring that all vendors adhere to their contractual obligations. In addition to ensuring compliance, this unit will help identify opportunities for cost savings and cost recovery, contributing to more efficient use of county resources.

Furthermore, the establishment of this unit will provide several additional benefits, including improved accountability and transparency in vendor relationships, and



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

enhanced oversight of contract performance. Ultimately, the Contract Monitoring Unit will strengthen the county's overall financial management and reinforce our commitment to prudent and effective governance.

California State Association of County Auditors, Audit Managers Meeting & Training

With an overarching mission to foster collaboration, our team will be hosting the fall symposium which includes county auditors, controllers, and finance officers from across the state. The presenters will share topics relating to the new revisions to the Institute of Internal Auditors Global Standards as well as other topics on CAL-Card/P-Card, cybersecurity, and ethics with the goal to enhance and share efficiencies in internal audit.



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

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.	Agricultural Commissioner	Mandated
2.	Animal Services	Mandated
3.	Assessor County Clerk Recorder	Mandated
4.	Board of Supervisor/Clerk of Board	Mandated
5.	Children and Families Commission	Mandated
6.	Cooperative Extension	Mandated
7.	County Counsel	Mandated
8.	County Facilities District	Mandated
9.	DPSS, In Home Support Services	Mandated
10.	Emergency Management	Mandated
11.	Executive Office	Mandated
12.	Facilities Management	Mandated
13.	Fire Department	Mandated
14.	Flood Control District	Mandated
15.	Housing Workforce Solutions	Mandated
16.	Perris Valley Cemetery	Mandated
17.	Purchasing & Fleet Services	Mandated
18.	Registrar of Voters	Mandated
19.	TLMA Agency	Mandated
20.	TLMA Building & Safety	Mandated
21.	TLMA Code Enforcement	Mandated
22.	Treasurer Tax-Collector	Mandated



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

Follow Up Audits		
23.	Agricultural Commissioner CODH (AR#2024-024)	Follow-up
24.	Child Support Services CODH (AR#2024-025)	Follow-up
25.	Community Action Partnership (AR#2024-015)	Follow-up
26.	County Service Area (AR#2024-022)	Follow-up
27.	Department of Public Social Services (AR#2024-021)	Follow-up
28.	District Attorney (AR#2024-020)	Follow-up
29.	Environmental Health (AR#2024-007)	Follow-up
30.	Fire Protection (AR# 2021-011)	Follow-up
31.	Fire Protection (AR# 2023-017)	Follow-up
32.	Human Resources (AR#2024-001)	Follow-up
33.	Human Resources CODH (AR#2024-026)	Follow-up
34.	Information Technology (AR#2024-009)	Follow-up
35.	Office of Economic Development (AR#2024-012)	Follow-up
36.	Parks (AR#2024-005)	Follow-up
37.	Perris Valley Cemetery (AR# 2023-021)	Follow-up
38.	Probation (AR#2024-002)	Follow-up
39.	Public Defender (AR#2024-003)	Follow-up
40.	Registrar of Voters (AR# 2023-020)	Follow-up
41.	RUHS Behavioral Health (AR#2024-017)	Follow-up
42.	RUHS Medical Center (AR#2024-011)	Follow-up
43.	Sheriff (AR#2024-019)	Follow-up
44.	Sheriff/Coroner (AR# 2020-021/2021-203)	Follow-up
45.	Sheriff/Coroner (AR# 2022-018)	Follow-up
46.	TLMA - Building & Safety (AR# 2023-016)	Follow-up
47.	TLMA - County Airports (AR#2024-018)	Follow-up
48.	TLMA-Planning (AR#2024-010)	Follow-up
49.	TLMA Transportation (AR#2024-014)	Follow-up



Riverside County Auditor-Controller's Office

Internal Audit Division

Audit Plan FY 2024/25

Follow Up Audits		
50.	Veterans Services (AR#2024-016)	Follow-up
51.	Waste Resources (AR#2024-008)	Follow-up

Mandated Reviews		Department	Reason for Review (Gov't Code §26920(a) & §26922)
52.	1st Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
53.	2nd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
54.	3rd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
55.	4th Quarter Treasury Verification <i>(Audit of the Statement of Net Position of the Treasurer's Investment Pool is completed by external auditor)</i>	Treasurer-Tax Collector	Mandated