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Auditor-Controller

FY 2020/21
Audit Plan

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



*“Creating Value and
Making a Difference”*

INTERNAL AUDIT CHARTER

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 and non-financial information
- Efficiency and effectiveness of operations and resource use

OUR MISSION

To provide independent and objective assessments of business risks, by 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 operational processes, and ensure compliance with laws, regulations, and policies.

EXECUTIVE SUMMARY

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 activities 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

Our audit plan is based on services 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 generally delegated to 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 the Fraud Hotline. Responsibilities include the following:

- Ensure fraud incidents are forwarded to department senior management for appropriate response.
- Provide updates to incidents 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.

Internal Service Fund (ISF) and General Support Service (GSS) Rate Review. Internal Audit staff review ISF and GSS rates for the county. 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, ISF and GSS rates are reviewed to ensure compliance with State Controller mandated guidelines and Executive Office guidelines.

FISCAL YEAR 2020/21 AUDIT PLAN

The Internal Audit Plan for FY 2020/21 includes two overtime monitoring reports, 22 audit projects, and four quarterly verification 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, 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. As such, while most of our audits are cyclically driven by the requirements of 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 and have also allocated audit hours and resources to comply with Board of Supervisors' and management requests.

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.

Audit Project	Department	Reason for Audit (Gov't Code §25250)
<i>Education, Recreation, & Cultural Services</i>		
Cooperative Extension	Cooperative Extension	Mandated
<i>General Government</i>		
Assessor-County Clerk-Recorder	Assessor-County Clerk-Recorder	Mandated
Clerk of the Board	Clerk of the Board	Mandated
County Counsel	County Counsel	Mandated
County Facilities District	Executive Office	Mandated
Desert Expo Center-Date Festival	Business and Community Services	Mandated
Registrar of Voters	Registrar of Voters	Mandated
Treasurer-Tax Collector	Treasurer-Tax Collector	Mandated
<i>Internal Service Funds</i>		
Facilities Management	Facilities Management	Mandated
<i>Public Assistance</i>		
Office on Aging	Office on Aging	Mandated
Housing, Homelessness Prevention, and Workforce Development	Housing Authority	Mandated
<i>Public Protection</i>		
Agricultural Commissioner	Agricultural Commissioner	Mandated

Audit Project	Department	Reason for Audit (Gov't Code §25250)
Animal Services	Animal Services	Mandated
Building and Safety	Transportation & Land Management Agency	Mandated
Code Enforcement	Transportation & Land Management Agency	Mandated
Emergency Management Department	Emergency Management Department	Mandated
Planning	Transportation & Land Management Agency	Mandated
<i>Public Ways & Facilities</i>		
Transportation	Transportation and Land Management Agency	Mandated
<i>Special Districts & Other Agencies</i>		
Children & Families Commission-First Five	Children & Families Commission-First Five	Mandated
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	Business and Community Services	Mandated
<i>Countywide</i>		
Overtime Monitoring (Annual Report)	Various	Monitoring Report
Overtime Monitoring (Mid-Year Report)	Various	Monitoring Report

Review Project	Department	Reason for Review (Gov't Code §26920(a) & §26922)
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