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Auditor-Controller

FY 2021/22  
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.

## **STATUS OF FISCAL YEAR 2020/21 AUDIT PLAN**

Throughout Fiscal Year 2020/21, the audit plan was adjusted to respond to the administrative changes that occurred as new directors were appointment to county departments with change of department head audits. Board Resolution 83-338 requires these audits be performed upon a change in department heads with the audit scope to include revolving fund and fixed assets. Other audit projects added as special request were submitted to our department for areas concerning certain operations of respective departments. As a result of these adjustments, the total number of audit projects went from 22 mandated audits, to 25 mandated audits. All audits were completed as of fiscal year-end, and audit reports were issued and made public before July 31, 2021.

The departments not part of the original audit plan but were added throughout the year were: Information Technology, Executive Office, Fire Department, Purchasing and Fleet Services Department, and Transportation & Land Management Agency (TLMA). The departments removed from the audit plan were: Desert Expo Center-Date Festival, Planning Department (TLMA), and Transportation Department (TLMA). The department audits removed are now included in the Fiscal Year 2021/22 audit plan to ensure they remain in a consistent audit cycle.

## **FISCAL YEAR 2021/22 AUDIT PLAN**

The Internal Audit Plan for FY 2021/22 includes one annual overtime monitoring report, 39 audit projects (23 mandated & 16 follow-up audits), 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 risks<sup>1</sup>, 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

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<sup>1</sup> "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.

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 hours to comply with Board of Supervisors and management requests. Availability for these types of requests is dependent on available resources as our audit team has a limited number of auditors. As such, we prioritized resources to complete the mandated audit projects and fraud, waste, and abuse incidents that require our need to review and evaluate the validity of any incidents received through our fraud prevention program.

Audit Project	Department	Reason for Audit Gov't Code §25250
<b><i>Mandated Audits</i></b>		
Office of Economic Development	Office of Economic Development	Mandated
Desert Expo Center (Fair and National Date Festival)	Facilities Management	Mandated
Human Resources	Human Resources	Mandated
Information Technology	Information Technology	Mandated
Environmental Health	Environmental Health	Mandated
Public Health	Riverside University Health System	Mandated
Waste Resources	Department of Waste Resources	Mandated
Community Action Partnership	Housing, Homelessness Prevention & Workforce Development	Mandated
Public Social Services (DPSS)	Department of Public Social Services	Mandated
Veterans Services	Veterans Services	Mandated
Behavioral Health	Riverside University Health System	Mandated
Child Support Services	Child Support Services	Mandated
District Attorney	District Attorney	Mandated
Medical Center	Riverside University Health System	Mandated
Planning	Transportation & Land Management Agency	Mandated
Probation	Probation Department	Mandated
Public Defender	Public Defender	Mandated



Audit Project	Department	Reason for Audit Gov't Code §25250
Sheriff/ Coroner	Sheriff/Coroner	Mandated
County Airports (TLMA)	Transportation & Land Management Agency	Mandated
Transportation	Transportation & Land Management Agency	Mandated
Edward Dean Museum	Office of Economic Development	Mandated
Parks	Regional Parks & Open Space District	Mandated
County Service Area	Office of Economic Development	Mandated
<b><i>Follow-up Audits</i></b>		
Community Action Partnership (Audit Report 2018-002)	Housing, Homelessness Prevention & Workforce Development	Follow Up
Fire Department (Audit Report 2018-003)	Fire Department	Follow Up
Parks (Audit Report 2018-008)	Regional Parks & Open Space District	Follow Up
Purchasing (Audit Report 2018-016)	Purchasing and Fleet Services Department	Follow Up
Public Health (Audit Report 2018-018)	Riverside University Health System	Follow Up
Fire Department (Audit Report 2018-020)	Fire Department	Follow Up
County Service Area (Audit Report 2018-021)	Office of Economic Development	Follow Up
TLMA Agency (Audit Report 2018-025)	Transportation and Land Management Agency	Follow Up
Medical Center (Audit Report 2020-002)	Riverside University Health System	Follow Up
Probation (Audit Report 2020-003)	Probation Department	Follow Up
Community Action Partnership (Audit Report 2020-004)	Housing, Homelessness Prevention & Workforce Development	Follow Up



<b>Audit Project</b>	<b>Department</b>	<b>Reason for Audit Gov't Code §25250</b>
Public Health (Audit Report 2020-005)	Riverside University Health System	Follow Up
County Service Area (Audit Report 2021-201)	Office of Economic Development	Follow Up
Environmental Health (Audit Report 2020-006)	Environmental Health	Follow Up
Department of Child Support Services (Audit Report 2020-007)	Department of Child Support Services	Follow Up
Purchasing (Audit Report 2021-015)	Purchasing and Fleet Services Department	Follow Up
<b>Countywide</b>		
Overtime Monitoring (Annual Report)	Countywide	Monitoring Report

<b>Review Project</b>	<b>Department</b>	<b>Reason for Review Gov't Code §26920(a) &amp; §26922</b>
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