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Auditor-Controller

FY 2022/23
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 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

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

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' 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 as directed by the Fraud, Waste, and Abuse Committee.

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.

Internal Audit Peer Review

California Government Code requires counties internal audit departments to follow either the International Standards for the Professional Practice (IPPF) of Internal Auditing established by the Institute of Internal Auditors, or the Government Auditing Standards established by the Government Accountability Office. The Internal Audit Unit of the Auditor-Controller's Office follow the standards issued by the Institute of Internal Auditors (IIA). These standards require the performance of an independent external quality assurance review (peer review) every five years (IPPF Standard 1312 – External Assessments).

On October 28, 2021, The Auditor-Controller's Office hired an external peer review firm (assessor) to perform the review of the Internal Audit Unit. We made all information available as requested by the assessor to get a complete and objective assessment of the internal audit activity. Further, we requested for the assessor to meet with members of the Board of Supervisors, Executive Office, various department heads, and our external CPA firm partner for their honest assessment on the effectiveness of the Internal Audit Unit.

The objective of the peer review was to evaluate the Internal Audit activity's compliance with the International Standards for the Professional Practice of Internal Auditing. The review included:

- 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 the Internal Audit Unit's conformance to the spirit and intent of professional audit standards (IIA Standards), Code of Ethics, and auditing best practices.
- Identifying opportunities and suggestions for enhancing the operations of the Internal Audit activity.

Following the peer review guidelines, the assessor needed to assess our conformance with one of the three rating levels as follows:

- Generally Conforms – Means the conclusion is that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the standards.
- Partially Conforms – Means the conclusion is that the activity is making good-faith efforts to comply with the requirements of the standards.
- Does Not Conform – Means the conclusion is that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or failing to achieve many or all of the objectives of the requirements of the standards.

The conclusion of the assessor's peer review reflected a "Generally Conforms" to the internal auditing professional standards as prescribed by the Institute of Internal Auditors. This is the highest rating of the three-rating scale for the evaluation.

IPPF Standard 1320, *Reporting on the Quality Assurance and Improvement Program*, states, "The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board." In conformance with the standards, we have included as Appendix A, the external assessment report as presented to us by the independent assessor.

STATUS OF FISCAL YEAR 2021/22 AUDIT PLAN

Throughout Fiscal Year 2021/22, 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. As a result of these adjustments, the total number of audit projects to complete for the fiscal year remained unchanged. All audits were completed as of fiscal year-end, and audit reports were issued and made public before July 31, 2022.

The department not part of the original audit plan but was added was Animal Services since a new department director was appointed to lead the department. The department removed from the audit plan was the Desert Expo Center-Date Festival since the operation of the audit was completely outsourced to a vendor for a flat profit-sharing amount.

FISCAL YEAR 2022/23 AUDIT PLAN

The Internal Audit Plan for FY 2022/23 includes one overtime monitoring reports, 23 mandated audit projects, 28 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, 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.

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.

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 the Fiscal Year

Countywide Risk Assessment

The Internal Audit Division will initiate a countywide risk assessment to prioritize the allocation of audit resources. This risk assessment will help identify and analyze risks associated with overall 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 (i.e., Executive Office, Human Resources, and Purchasing), and county departments leaders will be needed for a successful risk assessment. Input from these parties is critical and will help increase awareness of business risks across the county and help implement the proper internal controls to mitigate the risks.

Our objective after we have completed this initiative, 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.

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.

Internal Audit Team

Team Member	Position	Years of Audit/ Accounting Experience
Tanya Harris	Assistant Auditor-Controller	34
Rene Casillas	Audit Division Chief	22
Carmen McGowin-Paul	Principal Accountant	26
Jose Felix	Supervising Internal Auditor	5 ½
Karla Iniguez	Senior Internal Auditor	13
Alec German	Senior Internal Auditor	5 ¼
Anastasia Cortes	Senior Internal Auditor	24
Janet Le	Senior Internal Auditor	10
Emad Mousa	Internal Auditor II	10 ¾
Ariana Velazquez	Internal Auditor I	3
Clayesha McElwee	Internal Auditor I	14 ¼

Audit and Other Projects for the Year

Department		Reason for Audit (Gov't Code 25250)
1	Emergency Management	Mandated
2	Assessor	Mandated
3	Agricultural Commissioner	Mandated
4	Facilities Management	Mandated
5	Flood Control District	Mandated
6	Housing Authority/Workforce Development/Homelessness	Mandated
7	Office on Aging	Mandated
8	Cooperative Extension	Mandated
9	Board of Supervisors/Clerk of the Board	Mandated
10	Treasurer-Tax Collector	Mandated
11	County Counsel	Mandated
12	Registrar of Voters	Mandated
13	Purchasing and Fleet Services	Mandated
14	Animal Services	Mandated
15	Children and Families First Comm	Mandated
16	County Facilities Districts	Mandated
17	In-Home Sup Serv Public Auth	Mandated
18	Perris Valley Cemetery	Mandated
19	Building and Safety	Mandated
20	Fire Protection	Mandated
21	TMLA - Agency	Mandated
22	Code Enforcement	Mandated
23	Executive Office	Mandated

Follow Up Audits		
24	Animal Services (Audit Report 2019-010)	Follow up
25	Children & Families Commission (Audit Report 2021-002)	Follow up
26	County Counsel (Audit Report 2021-007)	Follow up
27	Treasurer-Tax Collector CODH (Audit Report 2021-014)	Follow up
28	Perris Valley Cemetery (Audit Report 2021-013)	Follow up
29	Building and Safety (Audit Report 2021-010)	Follow up
30	Information Technology CODH (Audit Reports 2018-017 & 2021-022)	Follow up
31	Office on Aging (Audit Report 2019-004)	Follow up
32	Transportation (Audit Report 2019-009)	Follow up
33	Agriculture Commissioner (Audit Report 2021-001)	Follow up
34	Housing Homelessness Workforce (Audit Report 2021-004)	Follow up
35	Facilities Management (Audit Report 2021-006)	Follow up
36	Flood Control (Audit Report 2021-019)	Follow up
37	Emergency Management Dept (Audit Report 2021-020)	Follow up
38	Office on Aging (Audit Report 2021-017)	Follow up
39	Registrar of Voters (Audit Report 2021-0018)	Follow up
40	In-Home Support Services (Audit Report 2021-020)	Follow up
41	Public Defender (Audit Report 2022-004)	Follow up
42	Planning (Audit Report 2022-006)	Follow up
43	Behavioral Health (Audit Report 2022-013)	Follow up
44	District Attorney (Audit Report 2022-015)	Follow up
45	TLMA Transportation (Audit Report 2022-016)	Follow up
46	Public Health (Audit Report 2022-017)	Follow up
47	Sheriff (Audit Report 2022-018)	Follow up
48	County Service Area (Audit Report 2022-019)	Follow up
49	Information Technology (Audit Report 2022-020)	Follow up

Follow Up Audits		
50	Medical Center (Audit Report 2022-021)	Follow up
51	Human Resources (Audit Report 2022-022)	Follow up
Non-Audit Reports		
52	Overtime Monitoring Report (Annual Report)	Monitoring Report
53	Procurement Card (Annual Report)	Monitoring Report

Mandated Reviews		Department	Reason for Review (Gov't Code §26920(a) & §26922)
54	1st Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
55	2nd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
56	3rd Quarter Treasury Verification	Treasurer-Tax Collector	Mandated
57	4th Quarter Treasury Verification	Treasurer-Tax Collector	Mandated