

Peer Review Quality Assessment

*of the Internal Audit Department of the Auditor-Controller Office
of Riverside County, California*

March 9, 2022

Presented to



From



WWW.INFOTECH-GLOBAL.COM/ WWW.COMPLIANCE-SEMINARS.COM

CONTENTS OF REPORT

Executive Summary.....	4
Assessor’s Opinion.....	5
Responsibilities of ACO Internal Audit.....	6
Objectives, Scope and Methodology.....	7
Scorecard.....	9
Successful ACO Internal Audit Practices.....	11
Partial Conformance to Auditing Standards and Opportunities for Improvement.....	13
Appendix – Assessor’s Qualifications.....	22

EXECUTIVE SUMMARY

Infotech Global Audit and Security, Inc. (“Infotech”) was engaged to conduct a Peer Review of the quality of the Internal Audit operation of the Audit and Specialized Accounting Division of Riverside County’s Auditor-Controller Office (“ACO”). This quality assessment is recommended by the Institute of Internal Auditors (“IIA”). The IIA is a worldwide professional association that governs internal audit practices by issuing standards, guidelines, and education. The IIA recommends that Internal Audit departments obtain a quality assessment at least every five years.

The IIA suggests that this review be conducted by one of two methods: Either a “Full External Assessment” or a “Self-Assessment with Independent Validation”. Although ACO Internal Audit conducts ongoing self-assessments for each audit, ACO Executive Management opted for the more rigorous, more independent “Full External Assessment”. Infotech conducted the assessment during the period of November 2021 through January 2022.

Infotech followed the Quality Assessment and Improvement Program (“QAIP”) guidelines prescribed by the IIA. We supplemented these guidelines with additional “best practice” audit procedures gleaned from our extensive, 30+ year history of managing and performing a wide variety of internal and external audits, including financial, operational, IT, regulatory, cybersecurity, and fraud audits.

Infotech provides audit and consulting services. Our other business entity, Corporate Compliance Seminars, provides continuing professional training (“CPE”) related to internal controls, risk management, and auditing. Corporate Compliance Seminars is registered as a sponsor of the National Association of State Boards of Accountancy (“NASBA”). Corporate Compliance Seminars is authorized to issue CPE credit hours to qualified attendees of our classes.

This report identifies areas that the ACO Internal Audit operation performs well, along with opportunities for its improvement.

We performed the following Assessment procedures:

- We interviewed ACO Internal Audit management team and staff,
- We interviewed the Board of Supervisors, several Agency Directors, and the CPA audit firm Partner,
- We observed the operation of the Internal Audit department, and
- We inspected Internal Audit documentation including audit plans, workpapers, and reports

At the time of the Peer Review, the Internal Audit Division of the Auditor-Controller Office consisted of ten personnel: one Auditor-Controller, one Assistant Auditor Controller, one Chief Auditor, and seven Audit staff. An additional Senior Auditor was hired after our fieldwork.

ASSESSOR'S OPINION

The objective of Riverside County's ACO Internal Audit operation is to provide fiscal oversight of county departments through competent, independent audits. **The department fully achieves this objective.** Internal Audit supports the Board of Supervisors and county management to meet their mission and oversight responsibilities by performing scheduled, capable assessments of the effectiveness of internal controls, including assessing management's processes to maintain reliable financial information, efficient operations, safeguarding of assets, and compliance with applicable laws, regulations, policies, and procedures.

We conclude that the ACO Internal Audit operation "Generally Conforms" to internal auditing professional standards as prescribed by the Institute of Internal Auditors' "Internal Professional Practices Framework", and employs many best practices for auditing. **"Generally Conforms" is the highest ranking** on a three-point scale:

- **"Generally Conforms"**: We noted that most of the areas of ACO Internal Audit are in general conformance with the IIA Standards, Code of Ethics, and auditing best practices, such as the maintenance of a mission, charter, policies, audit procedures, audit workpapers, reports, and staff competencies.
- **"Partially Conforms"**: We noted several areas in ACO audit practices that deviate from the Standards, Code of Ethics, and best auditing practices. These deficiencies did not preclude the Internal Audit Division from performing its responsibilities in an acceptable manner.
- **"Does Not Conform"**: We did not note any deficiencies in auditing practices that we determined to deviate from the Standards, Code of Ethics, and auditing best practices, that were significant enough to seriously impair or preclude the Internal Audit operation from performing adequately in all or in significant areas of its responsibilities.

Our overall conclusion is that the ACO Internal Audit department and its audits are conducted in a manner that is consistent with IIA standards and internal auditing best practices. The department operates in a structured and progressive environment, where the auditing standards are understood, there is compliance with the Code of Ethics, and the audits are well-documented to reflect the work performed. The Internal Audit staff are professional, competent, independent, and objective.

Our comments and recommendations are intended to build on the foundation that is established at the ACO Internal Audit department.

Responsibilities of the ACO Internal Audit Department

The responsibilities of the Auditor-Controller are generally defined in the California Government Code 25250: “At least biennially, the Board of Supervisors shall examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the county or money received or disbursed by them under authority of law.” Riverside County’s Board of Supervisors delegates this responsibility to the Internal Auditors and the county’s CPA firm Brown Armstrong. Besides auditing, the Auditor-Controller Office is responsible for budget control, issuing warrants for payments, recording receipts of revenues, payroll processing, accounting for assets and liabilities, accounts receivable and payable, reviewing long-term debt, and the preparation of the County’s financial statements. The key divisions include General Accounting, Payroll, Audits and Specialized Accounting, and Property Tax and Administration.

The Auditor-Controller’s Office performs biennial audits of all departments within the County jurisdiction of the Board of Supervisors per California Government Code 25250. The Auditor-Controller is responsible for ensuring that mandatory audits are performed by internal staff or contracted certified public accountants. Examples of mandatory audits include Special Districts, Treasury, Fire, Probation, Social Services, Tax Collector, and Sheriff, and other county departments.

The ACO Internal Audit department complies with State of California Government Code 1236: “All city, county, city and county, and district employees that conduct audits or that conduct audit activities of those respective agencies shall conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate.”

Objectives, Scope and Methodology

Objective of Peer Review

The objective of our Peer Review was to independently evaluate the quality of Riverside County ACO Internal Audit department's conformance with IIA internal auditing standards, the code of ethics, and best auditing practices.

We evaluated Internal Audit's effectiveness in carrying out its mission as defined in their Charter, and in the expectations of those charged with governance. We identified the department's audit practices that are operating effectively along with opportunities for improvement to enhance its efficiency and effectiveness while adding value its stakeholders.

Scope

The scope of the review was limited to the Internal Audit department of the Auditor-Controller Office. We did not assess the other functions within the ACO such as accounting, payroll, or property tax administration services to the Riverside County government, cities, K-14 schools, and special districts. We did not assess the operation of the Board of Supervisors, county departments, the external audit function as performed by Brown Armstrong, CPAs.

Our preliminary planning for the Peer Review began in November 2021. Onsite fieldwork was conducted in December. We concluded with the issuance of this report. We would be pleased to assist the county and its auditors with the implementation of our recommendations.

Methodology

The assessment was conducted by David S. Marshall, MBA, CFE, CISA, CFS, and Chief Executive Officer of Infotech Global Audit & Security, Inc. Mr. Marshall is a lifelong member of the IIA, has served on various IIA committees, and has over 30 years of experience conducting and assessing external audits, internal audits, risk programs, IT control reviews, fraud investigations, security reviews, System and Organization Control audits, and regulatory compliance assessments. Mr. Marshall's professional qualifications are listed in "Assessor's Qualifications".

We evaluated ACO Internal Audit policies, procedures, and audits against the generally-accepted framework issued by the Institute of Internal Auditors, the International Professional Practices Framework ("IPPF"). The IPPF is an accepted standard for internal auditing that is adopted by thousands of auditors throughout the world,

including ACO Internal Audit. We also applied our collective experience in auditing, research, and teaching, to compare the internal audit operations of the Audit-Controller Office with best practices.

We requested a comprehensive list of documentation from the Internal Auditors. The documentation, which included matters pertaining to Audit governance, management, risk assessment, performance, communication, workpapers and reporting, was presented to us in a timely manner. Internal Audit maintains this documentation in a centralized, secure, internal SharePoint site, which is considered to be a best practice. We performed a detailed inspection of the documentation to assess the quality of the work.

We interviewed the elected Auditor-Controller, the Assistant Auditor-Controller, the entire Internal Audit team, Board of Supervisors, several department heads, and the CPA firm Partner. We gained an understanding of the Internal Audit departmental processes, reporting relationships, perceptions, and staff competencies.





Our comments and recommendations are listed below in our “Scorecard”, followed by “Successful Audit Practices”, and “Opportunities for Improvement”.

Internal Audit Peer Review Quality Assessment Scorecard

The following “Scorecard” is our overall assessment of the quality of Riverside County’s Internal Audit department. We developed this format with guidance from the Institute of Internal Auditors’ IPPF and their Quality Assessment and Improvement Program (“QAIP”). We used the ratings of General Conformance (“GC”), Partial Conformance (“PC”), and Does Not Conform (“DNC”).

As previously stated, our overall evaluation of ACO Internal Audit is **“General Conformance”**. We identified several areas of “Partial Conformance”, and no areas of “Does not Conform”.

Assessor’s Overall Evaluation	GC	PC	DNC
			

Attribute Standards (IIA 1000 - 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility of IA			
Assessor Comment	IA maintains a charter that defines IA duties. The charter is aligned with IIA guidance.			
1100	Independence and Objectivity			
Assessor Comment	Consider segregating “Internal Audit” and “Specialized Accounting” if feasible. However, Auditor independence and objectivity are not compromised because the specialized accounting function does not audit the reports that they prepare.			
1200	Proficiency and Due Professional Care			
Assessor Comment	IA staff is capable, qualified, and performs high-quality work. Auditors maintain CPE.			
1300	Quality Assurance and Improvement Program			
Assessor Comment	An independent Peer Review of Riverside County IA was conducted in 2008 and 2014. A “Self-Assessment with Independent Validation” was performed by Santa Cruz County in 2019. In addition, the Assistant Auditor Controller, Chief Auditor, and Principal Internal Auditor continuously improve the Audit organization by hiring competent staff, conducting detailed risk and workpaper inspections, and mentoring the staff. ACO engaged Infotech to perform an independent Peer Review QAIP in November 2021.			

Performance Standards (IIA 2000 - 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	●		
Assessor Comments	Internal audits are adequately planned and managed in accordance with standards and best practices.			
2100	Nature of Work	●		
Assessor Comments	Internal audits are recognized as an important component of Riverside County's mission, and provide coverage for the assessment of governance, risk and control.			
2200	Engagement Planning	●		
Assessor Comments	The internal audits are adequately planned, scoped and assigned based on California mandates and the effective allocation of audit resources. Audit engagements are documented in an audit plan and audit procedures are updated to reflect audit risks.			
2300	Performing the Engagement		●	
Assessor Comments	<p>ACO's internal audits are adequately performed and documented based on IIA and Division standards. Audit procedures are updated as needed to reflect changes and risk of operations.</p> <p>Certain scope limitations were placed upon certain audits by county departments, and a few audits took longer than expected. Audit performance could be enhanced with disclosure of scope limitations to the Board of Supervisors, and audit software, analytics, and metrics.</p>			
2400	Communicating Results	●		
Assessor Comments	Audit results are validated with auditees during fieldwork and at exit meetings. Formal, written reports are issued and of sufficient quality. The findings in the reports require a written response from management with corrective action.			
2500	Monitoring Progress		●	
Assessor Comments	<p>The audit plan and individual audits are monitored by IA management. Follow-up audits are conducted to monitor the remediation of audit findings.</p> <p>The process could be improved with more frequent follow-ups to supplement the biennial audit schedule, and the implementation of audit software for continuous monitoring of transactions and internal controls.</p>			
2600	Communicating the Acceptance of Risks	●		
Assessor Comments	Internal Audits and results are formally reported including risks and management's treatment of risks. Follow-up audits are conducted to monitor risks and internal controls.			

Code of Ethics		GC	PC	DNC
	Code of Ethics	●		
Assessor Comments	Internal Audit maintains practices that are consistent with the Code of Ethics.			

Successful Audit Practices

Successful audit practices are areas where ACO Internal Audit is operating in a particularly effective or efficient manner. The identification of these items is intended to provide an overview of where the department is considered leading in its practice.

Audit Planning

Given that California Code 25250 requires each County department to be audited every two years, ACO audit planning is sufficient to meet this endeavor. Risks are assessed by the auditors during the audit planning meetings and by soliciting input from department personnel during audit entrance meetings. Audits are added to the schedule when there is a change in department head and other significant events.

Auditor Workpapers and Quality Self-Inspection

Auditor workpapers provide evidence of work performed and support the reported conclusions. ACO Internal Audit maintains detailed workpaper documentation for its audits. The audit workpapers are thorough, and consistently and accurately reflect the work performed. Documentation complies with IIA standards and best practices for auditing throughout the “audit lifecycle” of planning, assessing risk, maintaining audit procedures for each audit, performing the fieldwork based on the procedures, and the formal reporting of the results of the audit including management comments. The Principal Auditor performs detailed inspections of auditor workpapers to assess their completeness and quality.

The workpapers are consistently named, numbered, and follow a chronological order:

- Audit Planning and Preliminary Surveys
- Process Overview Narratives

- Risk Assessments
- Audit Program and supporting documentation
- Findings, Draft and Final Reports
- Management Response
- Post Audit documents including Audit Workpaper Reviews and Follow-Ups

Staff Competency

ACO audit staff appear competent as judged by our interviews and inspections of workpapers and Continuing Professional Education. Auditor interviews indicated motivation and dedication to support the mission of the county. We observed auditor camaraderie and information-sharing through weekly staff meetings, counseling, and informal conversations among the team members.

AREAS OF PARTIAL CONFORMANCE AND OPPORTUNITIES FOR IMPROVEMENT

These observations represent improvements in partial conformance with IIA Standards, and opportunities to enhance the efficiency and/ or effectiveness of ACO Internal Audit operations. These items do not indicate non-conformance with IIA Standards or the Code of Ethics. We offer these suggestions to better align the audit operations with criteria defined in the IIA Standards and the Code of Ethics. We also present these opportunities for improvement based on our collective experience of over 30 years of external auditing, internal auditing and consulting to hundreds of organizations.

We encourage the Internal Audit department to evaluate these opportunities for improvement. An implementation plan is encouraged but optional.

1. More Interaction with the Board of Supervisors and Department Heads

The status of audits and findings are on the Board of Supervisors' agenda at each meeting. However, over the past year, there has been less involvement by the Auditor-Controller in meeting with the Board of Supervisors. This was due to the Auditor-Controller's health and other matters.

To supplement the Auditor-Controller meetings, we recommend that the Assistant Auditor-Controller and the Chief Auditor meet with the Board of Supervisors and each Department Head and present information to encourage engagement and transparency. Potential items for presentations include:

- Internal audit value, methodology, selection and testing of transactions and controls,
- IAD structure and staffing,
- Audit documentation,
- A tracking system that summarizes the audits, their status, and communication of results;
- Significant changes and risks, including Board and Department Head solicitation of risks,
- Annual "State of Internal Controls Address" that includes a "Summary of Aggregated Deficiencies" (refer to item # 8)

Internal Audit Comments:

We concur with the recommendation. Assistant Auditor-Controller and Chief Internal Auditor plan to meet with County officials to discuss the value we can bring through internal audits, perspectives on risk at department and county level, communicate high materiality audit results, and other of the items recommended.

Estimated Implementation Date: April 2022

2. Consider agile, “Risk-Based” audits vs. “Coverage-Based” audits.

Per California mandate 25250, each county department must be audited every two years. This is known as “coverage-based auditing”, where all entities of an organization are audited within a given period.

Newer approaches to auditing are **risk-based** rather than **coverage-based**, where auditors conduct a risk assessment of the “audit universe” (i.e., the total of auditable entities), and conduct audits based on the assessment of risk. Auditors often employ a multi-year rotational approach (ex. auditing the high-risk entities every year, and rotating the medium and low risk entities over a three-year period), or an “agile” audit approach (where audit plans are more fluid throughout each year), or a combination of both. An example of a lower-risk audit that might be placed on a rotational cycle is the Department of Veterans Services audit. That department has only 20 employees and analyzes their budget in MS-Excel prior to entry in Peoplesoft Financials.

Since changing the California mandate would be difficult, we recommend that ACO Internal Audit maintain its current biennial audit schedule, but consider limiting the scope of certain audits to the highest risks with the audited departments. By employing “limited scope” audits, more of them could be performed within a given year. Having more than one auditor assigned per audit should be considered, along with an agile approach to target the functions and transactions whose controls are most likely to break down (ex. misuse of funds, theft of assets, operational inefficiencies, cybersecurity breaches, etc.). Active participation from the Board of Supervisors and department heads would be needed to help achieve the effectiveness of this approach. (Refer to item #3).

Internal Audit Comments:

We concur with the recommendation. We are working on performing a countywide risk assessment and will incorporate the results of the assessment to the annual audit plan. The results of the county wide risk assessment will direct how we focus our audit hours for each audit project and will focus less audit hours on departments considered to be lower risk. Our limitations to fully implement the recommendation is due to the Government

Code 25250 which requires for an audit of every county department be completed biennially (as interpreted by the Auditor-Controller).

Estimated Implementation Date: Start the process in March 2022

3. Consider improving the Enterprise Risk Management (“ERM”) process

The Internal Auditors conduct risk assessments are part of their planning process for each audit. We were informed that Riverside County also has a “Fraud, Waste, and Abuse Committee” to further identify risks and problems. Since the scope of our Peer Review was limited to assessing the quality of the Internal Audit Division, we cannot comment on the effectiveness of the Board of Supervisors nor department heads’ risk assessment process.

We do however, recommend that the county expand and improve its “ERM Program”. Our high-level guidance is to organize a cross-functional, diverse “Risk Committee” comprised of the Board, department heads, selected staff, **CPA audit firm Brown Armstrong**, and Internal Audit management. A charter and objectives should be defined, a meeting schedule should be established, and a risk model should be adopted. Risks and problems should be identified and ranked by impact, likelihood of occurrence, and other factors. Management’s responses to the identified risks should be documented. Internal controls should be defined for each risk, and assessed for effectiveness. The risks should be continuously assessed, perhaps on a quarterly basis, to accommodate new and changed risks.

Internal Audit Comments:

Concur with the recommendation. To establish this type of risk management process it will take time and buy in from the Board of Supervisors, Executive Office, and County Department Heads. We will start with a county-wide risk assessment and evolve into and full “ERM Program.”

Estimated Implementation Date: Start the process in March 2022

4. Consider more frequent monitoring and follow-up of audit findings.

Audit findings are formally reported and noted in audit workpapers. Follow-up audits are conducted within the two-year timeframe as mandated by the State.

Internal Audit should consider more frequent follow-up for audit findings. The follow-up of audit findings should be based on their risk and estimated completion date. Issues identified by auditors have a tendency to increase in severity the longer they remain unremediated, and the two-year cycle may not be adequate.

Internal Audit Comments:

Concur with the recommendation. We are working to rank the audit findings by materiality as this will help us follow up on certain recommendations with more frequency. Further, we are looking to purchase an audit management system with a function that allows department process owners to provide updates on the implementation of audit recommendations. The implementation of such a function can help us streamline the follow up audit process and allocate resources more efficiently and frequently.

Estimated Implementation Date: Start in February 2022 with risk ranking the audit findings. Audit Management System is estimated to be purchased and functional by July of 2022.

5. Consider risk-rating each audit finding.

Internal Audit should consider classifying its audit findings by risk (ex. high, medium, low). Audit findings should be reported in risk-ranked order. Although risk ratings are optional as described in the IIA guidance, ratings would allow the reader of the audit reports to gauge the effectiveness of audit objectives.

However, risk-ratings should be avoided if they might be negatively perceived.

Internal Audit Comments:

Concur with the recommendation. We are working to rank the audit findings by materiality as this will help us follow up on certain recommendations with more frequency. Full implementation of the ranking of audit findings by order in the audit report will be evaluated with the Auditor-Controller for implementation.

Estimated Implementation Date: Start in April of 2022.

6. Consider enhancing “independence” by segregating the “Internal Audit” from “Specialized Accounting” functions in the ACO.

The mission of Internal Audit of the Auditor-Controller Office is two-fold: to provide Internal Audits, and to provide Specialized Accounting:

“Internal Audits: Conduct independent, objective financial and operational audits of departments, offices, boards and institutions under the Board of Supervisors control, and of any district whose funds are kept in the County treasury. Provide consulting services to assist management in bringing a systematic and disciplined approach to risk management and control.”

“Specialized Accounting: Prepare, review and certify reports for countywide cost and revenue reimbursements which includes oversight over State mandated cost reimbursement (SB90) program, the cost allocation plan and the Schedule of Expenditures of Federal Awards subject to the Single Audit. Review methodology of rates and charges submitted to the Board of Supervisors for approval for cost recovery.”

Auditors should be independent of the “design, implementation, and operation” of processes and internal controls. Ideally, the Specialized Accounting function should be independent and segregated from Internal Audit.

However, the independence of Internal Audits is not impaired because the individual that “prepares, reviews and certifies” the cost and revenue reimbursement reports does not audit them.

Internal Audit Comments:

As noted, the current responsibilities and tasks performed under the Specialized Accounting Unit is not audited by the Internal Audit Unit. Furthermore, most of the work performed under Specialized Accounting is audited by State Agencies thus at this time the department will maintain the structure.

Estimated Implementation Date: Not Applicable

7. Document “Audit Scope Exclusions” for the Board of Supervisors

We were informed that certain functions were excluded from the scope of certain internal audits. Although internal auditor guidance recommends that “nothing should be off-limits to internal audits”, there may be certain justifications for audit scope limitations, such as:

- if the area to be audited is governed by federal, state or local law or ordinance in which audits or audit areas are prohibited;
- if the area to be audited has specific contract language prohibiting or limiting its scope;
- if the area to be audited is highly sensitive or secret in nature, where public disclosure in an audit report would present a significant risk;

- if the area to be audited has evidence that may be tainted by auditor inspection, or where the chain of custody of evidence may not be preserved;
- if the area to be audited is being or could be contested or litigated.

Any internal audit scope limitations and exclusions should be documented and reported to the Board of Supervisors.

Internal Audit Comments:

Concur with the recommendation. The Board Resolution used as the audit charter does provide the internal audit function with unlimited access to information related to our audit scopes. We are also working with County Counsel to provide further clarity on the “unlimited access” for the internal audit function.

Estimated Implementation Date: Immediately

8. Consider documenting an annual “Summary of Aggregated Deficiencies” report at year-end.

Internal Audit should consider documenting a central list of control deficiencies from each audit. At year-end, all audit deficiencies should be analyzed together (“in aggregate”) to determine if patterns exist and if internal control deficiency relate to others. Numerous control deficiencies that relate to a common system, operation, transaction, function, regulation, etc. may have a pervasive effect on an organization’s Control environment. A Summary of Aggregated Deficiencies (“SAD” report) should be presented to the Board of Supervisors on an annual basis at year-end during the “State of Internal Controls” Address. Repeated, common findings should be analyzed to determine and correct their root causes.

Internal Audit Comments:

Concur with the recommendation. This will be a beneficial report for the Board of Supervisors and County Department Heads. As we work to rank the findings, we will look for ways to present this annually to the Board of Supervisors.

Estimated Implementation Date: September 2022

9. Assess the “mix” of internal control deficiencies.

Internal Audit should categorize the internal of controls and deficiencies for each audit. By analyzing the “Control Mix”, auditors can provide value by encouraging audit clients to automate manual controls, and convert or supplement detective controls with preventative controls. Manual, detective controls tend to be less effective than automated, preventative controls.

Internal Audit Comments:

Concur with the recommendation. We will analyze each of our findings to determine if any of the internal controls under the audit can be automated. This will be based on the information we gather through observations and walk-throughs of business process we are auditing.

Estimated Implementation Date: February 2022

10. Consider obtaining “Letters of Representation” from department heads.

Internal Audit should consider obtaining “Letters of Representation” from department heads at the audit entrance meetings. Signed Letters may improve the requirement for transparency, accountability, and disclosure of issues to auditors.

However, if Internal Audit believes that “Rep Letters” may harm their relationships with auditees, then this consideration should be tabled for future consideration or selectively distributed.

Internal Audit Comments:

We will discuss this recommendation and consider it as a viable option to implement it as a way to enhance the requirement for transparency, accountability, and disclosures of issues to the auditors.

Estimated Implementation Date: To be considered (if necessary) after discussion with Auditor-Controller

11. Consider implementing Control Self-Assessment (“CSA”) surveys to department heads.

Internal Audit should consider distributing CSA questionnaires to department heads on an annual basis. The

CSAs should be tailored to the transactions, risks, and controls. Department heads should transparently complete the questionnaires and send them to Internal Audit. This would facilitate accountability for reporting management’s internal control effectiveness, and would help auditors determine areas of focus.

However, if Internal Audit believes that “CSAs” may harm their relationships with auditees, then this consideration should be tabled for future consideration or selectively distributed.

Internal Audit Comments:

Concur with the recommendation. As we move forward with the countywide risk assessment, we will implement this control self-assessment questionnaires and use them to update the risk profile of each department.

Estimated Implementation Date: Start in March 2022

12. Implement Audit software tools.

ACO Internal Audit should evaluate and implement software tools to improve their effectiveness and efficiency, such as an Audit Management system, risk assessment models, electronic workpaper system, data analysis systems, statistical sampling software, data visualization systems, fraud detection systems, Internet search tools, IT security analysis software, and others.

Internal Audit Comments:

Concur with the recommendation. We are working with the Purchasing Department to evaluate various audit management software products and purchase one with the tools necessary to improve effectiveness and efficiency. We are looking for a packaged type of audit management software that can have or integrate with the type of tools mentioned in the recommendation.

Estimated Implementation Date: Start in February with implementation target Fiscal Year 2022/2023.

13. Considering implementing Continuous Auditing

Internal Audit should consider implementing “Continuous Auditing” capabilities to monitor selected processes, transactions, and controls on an ongoing basis throughout the year. Assistance would be required from department heads and IT to determine the transactions to be established for continuous monitoring and how this could

be achieved.

Internal Audit Comments:

Concur with the recommendation. We are in the preliminary stages of the implementing a “continuous auditing” capability over some selected processes. The capability will be limited to split POs, but as we move forward with the purchase of software tools, the capability will be enhanced to include different areas.

Estimated Implementation Date: Start in February 2022. All Auditors have been enrolled in a Continuous Auditing Training Course scheduled for February 24, 2022

14. Meet with the CPA firm external auditors.

ACO Internal Audit should meet with Brown Armstrong at least twice per year: at the beginning of the fiscal year to discuss risks, audit objectives, and audit plans, and at the end of the fiscal year to discuss financial audit adjustments and internal control improvements.

Internal Audit Comments:

Concur with the recommendation. We will seek to meet with the external auditors as recommended.

Estimated Implementation Date: Start July/August 2022

15. Consider maintaining additional Internal Audit metrics.

Internal Audit maintains metrics that include the audits per year and their status. The Division should consider additional metrics such as:

- Number of IAD auditors per county employee
- Number of audit issues reported by type, risk, and audit
- Audit cycle time (number of hours per audit and variance)
- Audit report issuance from start of audit (in days)
- Audit report issuance from initial draft report (in days)

- Delinquent findings (i.e., findings that were not implemented by the reported due date, and reason)
- Annual audit budget-to-actual variance
- Cost per audit
- Identification of cost savings in audit recommendation
- Internal control “mix” analysis (i.e., categorizing the controls tested on each Internal Audit: Preventative, Detective, Automated, and Manual)
- Methods of Control Testing and Frequency (i.e., analyzing how many controls were tested by Inquiry, Observation, Inspection, Re-Performance/ Re-Calculation methods)
- Audit staff utilization (direct vs. indirect Auditor hours)

Internal Audit Division management can determine whether the metrics are to be internal or communicated to the Board of Supervisors.

Internal Audit Comments:

Concur with the recommendation. We will maintain metrics as recommended.

Estimated Implementation Date: Start February of 2022

16. Consider increasing the scope of Internal Audits with high-risk operations.

Additional, cross-departmental internal audit should be considered:

- IT Audits and Cybersecurity, to identify points of vulnerability including data “exfiltration” (leakage; unauthorized disclosure) and weaknesses in IT general controls and application controls
- Physical Security, to identify weaknesses in the safety and security of county personnel and the general public
- Vendor Management, to identify potential issues in services and systems provided by

vendors, suppliers, and contractors

- Fraud and Forensics, to identify the potential for fraud and anti-fraud controls
- Business Continuity, to identify areas where county services may be disrupted

Internal Audit Comments:

Concur with the recommendation. Riverside County Information Technology Department has a robust cybersecurity program under the Information Security Office. However, we are planning to meet with the county's information security officer to discuss areas we can audit that are not covered under their security program. On the other audit areas mentioned, we will consider them and move to include them in our scope as applicable.

Estimated Implementation Date: Start in February of 2022

17. Consider networking with other county Audit organizations.

ACO Internal Audit should consider networking with peers at county audit organizations, such as:

- Inspecting county audit web sites to inspect audit schedules and reports,
- Establishing a set of common metrics for benchmarking,
- Meeting virtually or in-person to share audit issues, solutions, tools, and best practices

Internal Audit Comments:

Concur with the recommendation. We do this through the California Counties Audit Managers Committee but because of Covid restrictions, the committee has not met as we did in the past. However, we can seek for other ways to improve the communication and networking with county peers.

Estimated Implementation Date: Start March of 2022

APPENDIX - ASSESSOR'S QUALIFICATIONS

David S. Marshall, MBA, CISA, CFE, CFS
Infotech Global/ Corporate Compliance Seminars
dmarshall@infotech-global.com/ 708-205-2366

David S. Marshall is the Founder and Chief Executive Officer of **Infotech Global** (www.infotech-global.com), a consulting firm specializing in internal auditing, computer security, regulatory compliance, risk management, and fraud prevention and detection. He is also the co-founder of **Corporate Compliance Seminars** (www.compliance-seminars.com), a NASBA-sponsored training organization that delivers Continuing Professional Education (CPE) to Boards of Directors, Audit Committees, Auditors, Compliance, Accounting and IT professionals.

Marshall has managed and performed hundreds of audits, security assessments, fraud investigations and Sarbanes-Oxley Act compliance activities over his 30+ year career. He has researched and developed CPE seminars and trained thousands of professionals. He is the developer of the "Internal Auditing" series of seminars, "Understanding SSAE SOC Audits", "SOX and COSO Compliance for the External Auditor", "Frauditing", "Best Practices for Audit Committees", "The Art of Audit Report Writing", "Continuous Auditing", "World Class ERM", "Managing Audit Quality", and many others.

Marshall is an authority on designing and implementing internal controls. Prior to Infotech and Corporate Compliance, he headed up the IT Audit Consulting practice of a worldwide Aerospace and Defense corporation, and was a Senior Manager in the Management Consulting and Auditing practice of a "Big 4" accounting firm.

Dave Marshall is an expert in internal control, IT, and assessing compliance with the Sarbanes-Oxley Act. Since its ratification in 2002, he has helped numerous companies with all aspects of their Sarbanes-Oxley compliance projects, from project management to the detailed testing of controls. Marshall helps companies implement the COSO's latest release of the Internal Control Integrated Framework ("COSO ICIF 2.0"), including Enterprise Risk Management (ERM) programs, SSAE SOC audits, SOC Readiness Assessments, and internal control "design, implementation, operation and assessment". Marshall is an accomplished Business and IT Auditor with global experience in many industries: financial, healthcare, pharmaceutical, IT, manufacturing, retail, distribution, insurance, aerospace & defense, service, education and government. He has helped companies of all sizes...from start-ups to multi-nationals, "improve their business by improving their internal controls".

His unique perspective as a business owner, consultant, financial and manufacturing system designer, enterprise software implementer, auditor, and trainer allow him to make practical, cost-effective recommendations for improving profitability and internal control. He has a Master's Degree in Business Administration (MBA), is a Certified Information Systems Auditor (CISA), a Certified Fraud Examiner (CFE), and a Certified Fraud Specialist (CFS).

Mr. Marshall is the former six-year President and Chairman of the Board of Directors of the Greater Chicago Chapter of the Association of Certified Fraud Examiners (ACFE). He is currently a Board Member of the ACFE Worldwide Advisory Council. He was the Vice Chairman of the International Institute for Outsource Management (IIOM) and was a contributor to the Outsource Management Body of Knowledge (OMBOK). He was a member of the Advisory Board of a university's College of Business Administration. He was a Board Director of the Chicago Chapter of the Information Systems Audit and Control Association (ISACA) and was the Technology Committee Chairperson of the Institute of Internal Auditors (IIA) International Conference. He held a security clearance with the U.S. Department of Defense and worked on classified government projects.

Dave Marshall is technically proficient, outgoing, and active in professional associations, charitable organizations and community affairs. He professes to his clients that "you cannot improve what you do not measure" and "internal controls should balance risk, not outweigh it". Internal controls can help organizations achieve their objectives, and Dave is committed to implementing them in a reasonable, cost-effective manner.