



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legislation Details (With Board Report)

File #:	18-1141	Name:	Internal Audit Charter, Policies & Operations Manual, FY2018-19 Audit Plan
Type:	General Agenda Item	Status:	General Government - Consent
File created:	11/16/2018	In control:	Board of Supervisors
On agenda:	12/11/2018	Final action:	
Title:	a. Approve the Auditor-Controller's Internal Audit Charter; and b. Approve the Auditor-Controller's Internal Audit Policy and Operations Manual; and c. Approve the Auditor-Controller's Fiscal Year 2018-19 Internal Audit Plan; d. Approve and authorize the Contracts Purchasing Officer, or designee, as recommended by the Auditor-Controller, to execute appropriate documents for the purchase of multiple end user licenses for CaseWare Working Papers audit and financial reporting computer software and CaseWare IDEA data analysis computer software at a maximum cost of \$7,225; and e. Authorize the Auditor-Controller to amend the FY 2018-19 Adopted Budget increasing appropriations by \$7,225 in the Auditor-Controller, Internal Audit Division unit (001-AUD001-8375), offset by a decrease of \$7,225 in the County Administrative Office, Other General Expenditures unit (001-CAO014-8039-6601) (4/5 vote required).		

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Attachment A - Internal Audit Charter, 3. Attachment B - Internal Audit Policies and Operations Manual, 4. Attachment C - FY 2018_2019 Internal Audit Plan, 5. Attachment D - Purchase Documentation, 6. 43. Completed Board Order

Date	Ver.	Action By	Action	Result
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- a. Approve the Auditor-Controller's Internal Audit Charter; and
- b. Approve the Auditor-Controller's Internal Audit Policy and Operations Manual; and
- c. Approve the Auditor-Controller's Fiscal Year 2018-19 Internal Audit Plan;
- d. Approve and authorize the Contracts Purchasing Officer, or designee, as recommended by the Auditor-Controller, to execute appropriate documents for the purchase of multiple end user licenses for CaseWare Working Papers audit and financial reporting computer software and CaseWare IDEA data analysis computer software at a maximum cost of \$7,225; and
- e. Authorize the Auditor-Controller to amend the FY 2018-19 Adopted Budget increasing appropriations by \$7,225 in the Auditor-Controller, Internal Audit Division unit (001-AUD001-8375), offset by a decrease of \$7,225 in the County Administrative Office, Other General Expenditures unit (001-CAO014-8039-6601) (4/5 vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve the Auditor-Controller's Internal Audit Charter; and
- b. Approve the Auditor-Controller's Internal Audit Policy and Operations Manual; and
- c. Approve the Auditor-Controller's Fiscal Year 2018-19 Internal Audit Plan; and
- d. Approve and authorize the Contracts Purchasing Officer, or designee, as recommended by the Auditor-

Controller, to execute appropriate documents for the purchase of multiple end user licenses for CaseWare auditor and financial reporting computer software at a maximum cost of \$7,225; and

e. Authorize the Auditor-Controller to amend the FY 2018-19 Adopted Budget increasing appropriations by \$7,225 in the Auditor-Controller, Internal Audit Division unit (001-AUD001-8375), offset by a decrease of \$7,225 in the County Administrative Office, Other General Expenditures unit (001-CAO014-8039-6601) (4/5 vote required).

SUMMARY/DISCUSSION:

On September 25, 2018, the Board of Supervisors (Board), through Resolution No. 18-316, approved the Internal Audit Policy and revised Budget Committee Roles and Responsibilities recommended by the CAO's Office. Resolution No. 18-316 reaffirms the Board's sole authority under Government Code section 26883 and establishes the Board's decision to retain authority to conduct and assign audits to the Auditor Controller's Internal Audit Division, the County Administrative Office, or County Counsel, as deemed appropriate. Lastly, this resolution establishes processes for approving the internal audit plan, internal audit and project requests, and reporting of related results.

The Internal Audit Policy requires compliance with Government Code Title 1, Division 4, Chapter 1, Article 8, Section 1236, which mandates those performing County audits to do so under the general and specific standards prescribed by the Institute of Internal Auditors (IIA), or, the Government Auditing Standards issued by the Government Accountability Office of the Comptroller General.

In line with the IIA Standards, the Auditor-Controller's Internal Audit Division (IAD) has developed an Internal Audit Charter (Attachment A), Policy and Operations Manual (Attachment B), and FY 2018-19 Internal Audit Plan, (Attachment C), for review and approval by the Board. Note that a risk-based internal audit plan could not be developed for FY 2018-19 as the IAD has only recently been established. The FY 2018-19 internal audit plan has been developed based on requests made by County Departments. The internal audit plan also includes assurance audits to be performed by external accounting firms. The External Audit Resources schedule list those audits scheduled, or anticipated, to be performed by an external firm and includes their corresponding due dates and budgeted amounts.

Contained within the FY 2018-19 Internal Audit Plan is a County-wide Risk Assessment engagement. IIA Standards require the establishment of a risk-based audit plan to determine the priorities of the internal audit activity consistent with the County's goals. The Risk Assessment is scheduled to commence in early January 2019 with the goal of completion by March 30, 2019 in preparation for the FY 2019-20 Budget. Given time constraints and limited IAD resources, the IAD is seeking proposals, through an informal bidding process, for the services of an external consultant, competent and knowledgeable of IIA and Government Auditing Standards, to perform the Risk Assessment. The initial costs to contract for these services is estimated to be at, or below, \$50,000. Once the informal bidding process is complete, the IAD will return for approval by the Board of Supervisors. On-going, the Risk Assessment will be monitored and updated by the IAD. All updates, modifications, or changes to the Risk Assessment will be approved by the Board.

IIA Standards also require the IAD establish and maintain a system to monitor the disposition of audit and consulting results communicated to management, follow-up on management action plans to ensure they have been effectively implemented, or, that management has accepted the risk of not implementing corrective action. The IAD is requesting \$7,225 to procure customary, audit working papers software and training (Attachment D) as follows:

1. Caseware Working Papers and Training, \$5,155
2. Audimation IDEA Single User License, \$2,070

Annual future cost to maintain two working papers licenses is \$3,600.

OTHER AGENCY INVOLVEMENT:

On November 13, 2018 Auditor-Controller presented the items in this Board Report to the Budget Committee. The Budget Committee supported:

- a. Approving the Auditor-Controller's Internal Audit Charter; and,
- b. Approving the Auditor-Controller's Internal Audit Policy and Operations Manual; and,
- c. Approving the Auditor-Controller's Fiscal Year 2018-19 Internal Audit Plan;

One item of recommendation included by the Auditor-Controller for the Budget Committee on November 13, 2018 was for enhancement of the Audit Committee policies, roles, and responsibilities to align with the required criteria recommended by the Institute of Internal Auditors. The Budget Committee requested additional clarification and understanding around this recommendation. The Auditor-Controller plans to discuss the proposed recommendation again with the Budget Committee for further clarification and will subsequently bring the item for the Board of Supervisors' review and approval.

There was a slight change to the Internal Audit Plan submitted to the Budget Committee. The Internal Audit Plan submitted to the Budget Committee included a California Park Concessionaires audit that was scheduled to commence in May 2019. The Budget Committee expressed concern about the timing of this audit being later in the schedule. As result, the IAD has rescheduled the California Parks Concessionaire audit to commence in January 2019.

The materials presented are in-line with the County's Internal Audit Policy and the Institute of Internal Auditors, International Professional Practices Standards, and Generally Accepted Government Auditing Standards as prescribed by the Comptroller General. The CAO's office has reviewed and provided input on this material. The related attachments were submitted to the Budget Committee on November 13, 2018.

This Board Report has been reviewed by County Counsel. However, the Auditor-Controller's Internal Audit Charter, Internal Audit Policy and Operations Manual; and Fiscal Year 2018-19 Internal Audit Plan were not submitted for County Counsel's review and approval. The Auditor-Controller does not believe these documents require County Counsel review as they merely represent policies, procedures, and planning, surrounding the Auditor-Controller's Internal Audit Division.

FINANCING:

The BOS has approved \$100,000 budgeted in CAO Other General Expenses fund (001-CAO014-8039-6601) to conduct audits, as determined by the BC, by outside firms. The Auditor-Controller IAD (001-1110-AUD001-8375) is requesting \$7,225 of the funding to be used for the Software leaving a balance of \$92,775 for outside firms to conduct audits. Annual future cost to maintain two working papers licenses of \$3,600 will be requested through the departmental budget requests.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The internal audit activity is a key cog in the risk management framework. The mission of the Auditor-Controller's Internal Audit Division is to help Monterey County Board of Supervisors and Department Heads achieve their stated initiatives and goals by providing effective audit and consulting services designed to provide objective assurance, advice, and insight.

Check the related Board of Supervisors Strategic Initiatives

☒ Economic Development

☒ Administration

☒ Health & Human Services
☒ Infrastructure
☒ Public Safety

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Attachment A - Internal Audit Charter

Attachment B - Internal Audit Policy and Operations Manual

Attachment C - FY2018-2019 Internal Audit Plan

Attachment D-Purchase documents regarding CaseWare Working Papers and CaseWare IDEA software