

# Attachment A

# **Annual Countywide Risk Assessment and Internal Audit Plan**

**Fiscal Year 2025-2026**



## **County of Santa Barbara Office of the Auditor-Controller**

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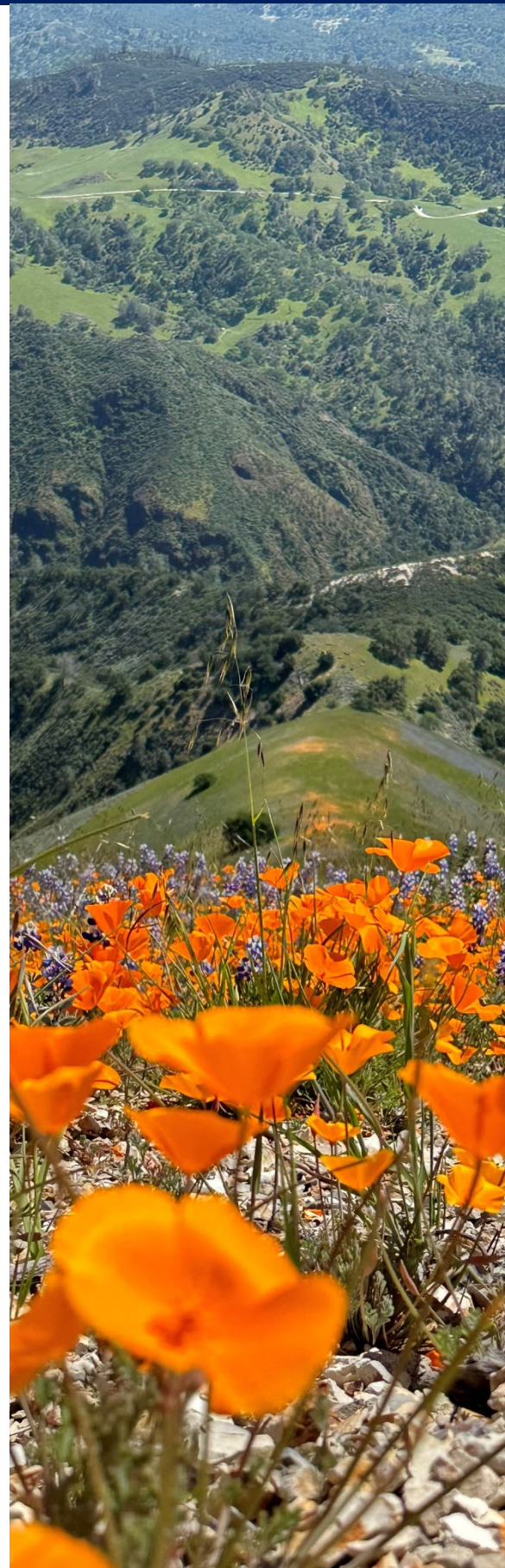




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# Annual Countywide Risk Assessment and Internal Audit Plan for FY 2025-2026

## Introduction

The Internal Audit (IA) Division of the County of Santa Barbara Office of the Auditor-Controller is pleased to present, in accordance with the *County's Internal Audit Charter* and the *International Standards for the Professional Practice of Internal Audit* requirements, the Annual Countywide Risk Assessment and Internal Audit Plan for the period of July 1, 2025 through June 30, 2026.

## Internal Audit Mission, Purpose, Authority, and Responsibility

In May 1961, pursuant to California Government Code Section §26883, the County of Santa Barbara Board of Supervisors (BOS) authorized the Auditor-Controller to audit the accounts and records of any department, office, board or institution under control of the BOS and of any district whose funds are kept in the County Treasury. The IA Division was subsequently established in order to fulfill the auditing responsibilities assigned to the Auditor-Controller.

The mission of the IA Division is to provide reliable, independent, objective assurance and consulting services to County management, the BOS, and other County stakeholders. The IA Division is committed to providing expert evaluations to improve the effectiveness of internal controls, reduce risk, and enhance operational efficiency for County stakeholders. This work supports the protection and safeguarding of County resources and assets.

The primary goals and responsibilities of the IA Division include:

- To provide IA services to County management, the BOS, and other County stakeholders.
- To be trusted advisors to key County stakeholders by helping to continuously improve County practices in the areas of governance, risk management, and compliance.
- To deliver value by providing insight that helps management design the County's operations and processes to more successfully accomplish control objectives of reliability of financial reporting, compliance with laws and regulations, efficiency and effectiveness of operations, and safeguarding of assets.
- To develop highly proficient audit professionals to assist management in determining whether the County is operating effectively, efficiently, and in compliance with applicable policies, procedures, and regulations.

## Independence

The IA Division consists of a Division Chief, a Supervisor, a Financial Systems Analyst, and an Accountant-Auditor, who report to the Auditor-Controller. The Auditor-Controller maintains organizational independence through election to the position by the constituents of the County.

In accordance with California Government Code §1236, IA Division staff are to be independent of activities under audit or review and are to have no direct operational responsibility or authority over any of the activities audited or reviewed. Accordingly, IA Division staff will not implement internal controls, install systems, prepare records, or engage in any other activity that may compromise independence or impair judgement.

IA Division staff exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. IA Division staff will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.



## Independence (continued)

In order to confirm independence on an engagement-by-engagement basis, Statements of Independence are completed for each individual engagement by applicable IA Division staff assigned to the engagement.

## Internal Audit Charter

The IA Charter was approved by the BOS on June 5, 2018 and formalized the mission, purpose, authority, scope of duties, and responsibilities of the IA Division. The IA Charter also outlines professional standards the Division must adhere to as well as establishes Division governance and standards for independence and objectivity.



To learn more about the Office of the Auditor-Controller and the Internal Audit Division please visit our website:

<https://www.countyofsb.org/258/Auditor-Controller>



## Countywide Risk Assessment

### Countywide Risk Assessment Background

The IA Division of the County of Santa Barbara's Office of the Auditor-Controller utilized a Countywide Risk Assessment (CRA) methodology for the development of the FY 2025-2026 Internal Audit Plan. The CRA is a systematic process to evaluate, measure and report risks for the organization. In alignment with the Institute of Internal Auditor's definition, risk is considered the possibility of an event occurring that may impact the achievement of an organization's objectives. IA uses the CRA outcomes to prioritize both the timing and scope of audit activities included in the Internal Audit Plan. The CRA specifically guides planning for discretionary audit work that is not otherwise required by government code or regulation.

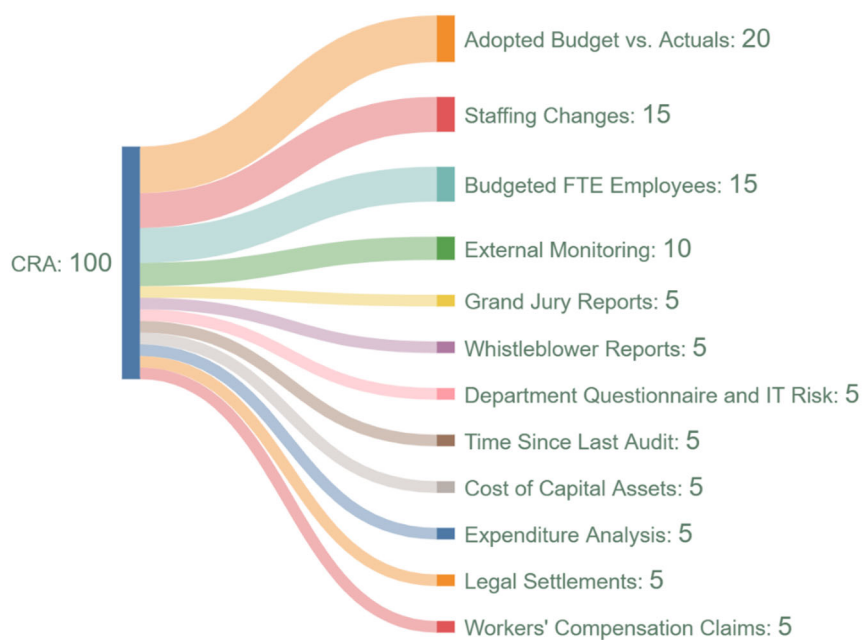
### CRA Process

The CRA process began with developing an understanding of the County's organizational objectives, followed by the establishment of evaluation criteria, data collection, communication with County leadership, and documentation of results.

County departments were evaluated against criteria using a weighted scoring model and assigned a risk category of High, Medium-High, Medium, Medium-Low, or Low. Special considerations were given to two (2) general government and support departments (Auditor-Controller, Information Technology) which were adjusted to a High-risk designation to account for the significant risks associated with the Countywide implementation of Workday, an enterprise resource planning (ERP) system, which will be replacing the County's legacy general ledger system effective August 2025.

### CRA Criteria

The criteria selected for the CRA may change year-to-year to best capture the risks faced by the County. They are chosen based on industry standards, authoritative guidance from the Institute of Internal Auditors, input from management, and coverage of key financial, operational, and compliance-related risk areas. Each criterion is assigned a weighted score to quantify *potential* risk. All County departments are independently evaluated using the full set of criteria. Prior to any adjustments (see "Judgmental Adjustment"), each department is assessed on a 100-point scale, with the total distributed across twelve (12) defined criteria as follows:





## CRA Criteria (continued)

Details for each criterion are as follows:



1. Adopted Budget vs. Actuals - 20% of overall risk

This criterion measures the difference between the budgeted amounts adopted for a fiscal year and the actual amounts realized at the end of a fiscal year. Data for the two most recently available fiscal years were used (FY 2023-2024, FY 2022-2023), and an average of those values were taken into consideration prior to assigning risk. The difference between the originally adopted budget and the actuals reflects either unspent allocated funds or funds which were approved during the fiscal year as part of the modified budget process. In either case, these differences indicate budgeting inaccuracy at the start of a fiscal year. The greater the difference, the greater the risk as such inaccuracies may make it more difficult for programs to receive the funding they require.



2. Staffing Changes - 15% of overall risk

This criterion measures staffing count changes by department with special consideration made to changes in management staffing. Employee data for the two most recently available fiscal years were used (FY 2023-2024, FY 2022-2023). Large increases or decreases in staffing numbers usually indicate big changes in a department (such as programs being added or cut) and reflect a greater risk.



3. Budgeted FTE Employees - 15% of overall risk

This criterion measures the number of full-time equivalent (FTE) employees allocated to each department, as reported in the most recently available County Recommended Budget Book (FY 2024-2025). FTEs are calculated by dividing the total number of hours worked by department employees—both full-time and part-time—by the standard number of hours in a full-time work year. Departments with a higher number of budgeted FTEs are considered to pose greater risk due to increased operational complexity and significance of activities.



4. External Monitoring - 10% of overall risk

County departments are subject to oversight by various external agencies, primarily to ensure that State and Federal funds awarded to the County are expended in compliance with applicable regulations and requirements. This criterion evaluates both the frequency and severity of prior audit findings associated with each department over the last eight fiscal years. A higher number and greater severity of prior findings indicate a greater risk.



5. Grand Jury Reports - 5% of overall risk

This criterion identifies departments that have been the subject of Civil Grand Jury report(s) containing findings and recommendations in the prior fiscal year (FY 2023-2024). These reports often highlight concerns related to financial inefficiencies, lack of legal compliance, and/or public complaints. A higher number and greater severity of findings in Grand Jury Reports in which a department has appeared in the greater the risk.



6. Whistleblower Reports - 5% of overall risk

This criterion identifies departments that have been the subject of a Whistleblower Report in the prior fiscal year (FY 2023-2024). These reports, which can be submitted anonymously by County employees or members of the public, are intended to report suspected instances of fraud, waste, or abuse within County operations. The more reports submitted, with consideration for severity of the allegations made and whether the claims were substantiated, the greater the risk.



7. Department Questionnaire and IT Risk - 5% of overall risk

At the end of each fiscal year, IA distributes a questionnaire to all County departments. The questionnaire includes inquiries related to the existence of bank accounts outside of the County Treasury, technologies utilized for tracking accounts receivable, and the number of active credit card users. Prior fiscal year (FY 2023-2024) department responses—or lack thereof—are evaluated and assigned a corresponding risk level. Additionally, supplemental IT-related risk considerations are applied to departments based on their degree of involvement in the implementation of the County's ERP system, Workday.



## CRA Criteria (continued)



8. Time Since Last Audit - 5% of overall risk

This criterion assigns risk ratings to departments based on the length of time elapsed since their last audit by IA. Departments with a greater amount of time since their last audit are considered to present a higher level of risk due to the potential for diminished oversight. This analysis also incorporates input from County leadership, including the Board of Supervisors, regarding the prioritization of audit activities.



9. Cost of Capital Assets - 5% of overall risk

This criterion assigns risk ratings to departments based on the total acquisition cost of all their capital assets as of the most recently completed and available fiscal year (FY 2023-2024). The acquisition and maintenance of capital assets involve significant financial investment and ongoing obligations. In addition to the initial outlay, assets require continued maintenance, security against loss, damage, or misuse, and may incur additional costs such as insurance premiums. Buildings, for example, carry substantial ongoing maintenance costs, while movable equipment is generally more susceptible to theft, loss, or misuse. Accordingly, departments maintaining higher total capital asset values are assigned greater risk scores.



10. Expenditure Analysis - 5% of overall risk

This criterion assigns risk ratings to departments based on their relative share of the County's total annual expenditures recorded within the County's general ledger. Expenditures—which include Salaries and Employee Benefits, Services and Supplies, Other Charges, and Capital Assets—were analyzed by calculating the four-year average of expenditures recorded per department for the most recently completed and available fiscal years (FY 2020-2021 – FY 2023-2024). Departments with higher levels of expenditures are assigned greater risk due to their financial impact, and the operational significance of their activities.



11. Legal Settlements - 5% of overall risk

This criterion assigns risk based on County legal settlements associated with a specific department. For the purposes of this analysis, a settlement is defined as a payment made to resolve actual or potential litigation between the County and an external party, including employees, members of the public, businesses, or other government entities. Departments associated with settlement activity negatively impact multiple organizational risk areas, including financial, operational, compliance, legal, reputational, and safety risks. Data for this analysis was obtained from Santa Barbara County Risk Management and reflects all paid claims for the prior three fiscal years (FY 2021-2022 – FY 2023-2024) through March 2025. Departments with the highest total settlement amounts are assigned greater risk.



12. Workers' Compensation Claims - 5% of overall risk

This criterion assigns risk to departments based on the total dollar amount of workers' compensation claims attributed to each department. These claims, filed for on-the-job injuries, reflect the presence of physical risks to County employees and potential operational vulnerabilities. Data for this analysis was provided by County Risk Management and includes claim amounts recorded over the prior three calendar years (2022-2024) through March 2025. Departments with higher total claim amounts are assigned greater risk.

❖ Judgmental Adjustment

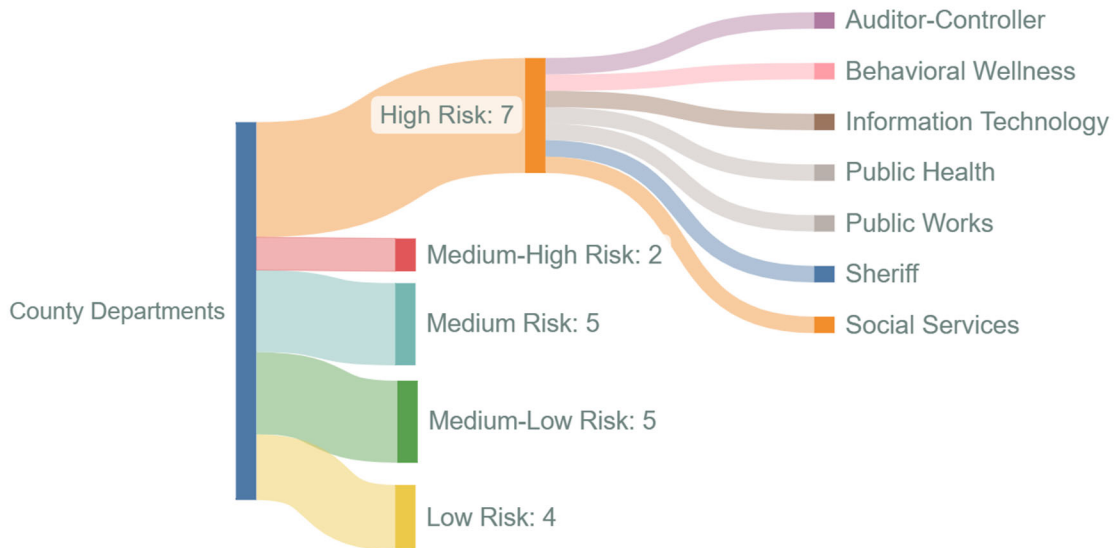
The development of a risk assessment allows for judgment-based adjustments to more accurately reflect the actual risk environment facing an organization. As part of this year's CRA an adjustment was made to account for the implementation of the County's new ERP system, Workday. The Workday implementation has been a significant, multi-year initiative for the County, characterized by its complexity and number of project delays. Given the heightened technological, operational, and internal control risks associated with a system transition, an increased rating was assigned to two key departments: Information Technology and Auditor-Controller. These departments play primary roles in ensuring the successful deployment of the Workday Financials system—projected to go live in August 2025—and in maintaining the continuity of County operations and safeguarding the integrity of internal controls during and after the transition.



## CRA Ratings

The departments that have the highest risk scores across all criteria are most likely to be selected by IA for discretionary engagements when actualizing the Internal Audit Plan.

There were seven (7) high risk departments identified by the CRA process. This visual below illustrates the risk distributed across the County departments (in alphabetical order):



Please refer to “Exhibit A” for the detailed rating results across all criteria for all departments.



## Internal Audit Plan

### Internal Audit Plan Background

The FY 2025-2026 Internal Audit Plan has been developed to determine the upcoming priorities of the IA Division for the period of July 1, 2025-June 30, 2026. In the prior period, FY 2024-2025, multiple IA staff were assigned as members of the Auditor Tiger Team which required the dedication of a large percentage of available IA staffing hours. The Tiger Team provides support for Phase 1 of the ongoing Countywide Workday ERP implementation project. Due to the ERP assignments, coupled with ongoing staff shortages, IA was not able to undertake as many projects and engagements in the prior period as originally intended. Recruitment efforts are planned in order to increase staffing and Internal Audit Plan completion. Additionally, IA intends to contract with a local accounting firm to assist with engagements.

Finally, it should be noted that the IA Charter allows for the performance of “other non-core work activities as needed by the Board and County management, in support of core work activities, and within the Definition of Internal Audit and Scope of Duties.” Accordingly, there should be an understanding that flexibility related to the Internal Audit Plan may be required, especially when considering the impacts of the Workday implementation project and impending system go-live, such that the proposed Internal Audit Plan may necessitate periodic adjustment during FY 2025-2026.

### Internal Audit Plan Process

Principal factors considered while developing the FY 2025-2026 Audit Plan, included, but were not limited to:

- Engagements (Audits, Reviews, etc.) mandated by California Government Code and/or County BOS Resolutions
- FY 2025-2026 Countywide Risk Assessment
- Consultations with County management
- IA Division staffing and available hours
- Countywide Workday ERP Implementation Project

### Internal Audit Plan Criteria

IA Division projects and engagements are generally categorized as follows:



- Mandatory Projects and Engagements

- Engagements mandated by California Government Code, County BOS Resolution, etc.



- Discretionary Projects and Engagements

- Discretionary engagements make up the majority of budgeted hours within the Internal Audit Plan as they allow the IA Division the opportunity to undertake projects that, while not required by any code, resolution or statute, represent opportunities for process improvement, review of controls, compliance review, etc. The selection of discretionary engagements is based on a myriad of factors including the Countywide Enterprise Risk Assessment, management requests, the receipt of confidential information, monitoring, etc. Examples of discretionary engagements include internal control reviews, special projects, information technology audits, consulting activities, etc.



- Administrative Projects and Activities

- This category includes activities such as staff training & development, risk assessment, engagement management, planning, and general IA Division administration.



## IA Division Staffing & Available Hours

The IA division has four (4) full time staff as of June 30<sup>th</sup>, 2025. Their certifications, development, and available hours are as follows:



- IA Division Staff Certifications

- IA Division Chief: Certified Public Accountant (CPA)
- IA Supervisor: CPA, Certified Fraud Examiner (CFE)
- IA Financial Systems Analyst: CPA
- IA Accountant-Auditor II: CPA Candidate (not licensed)



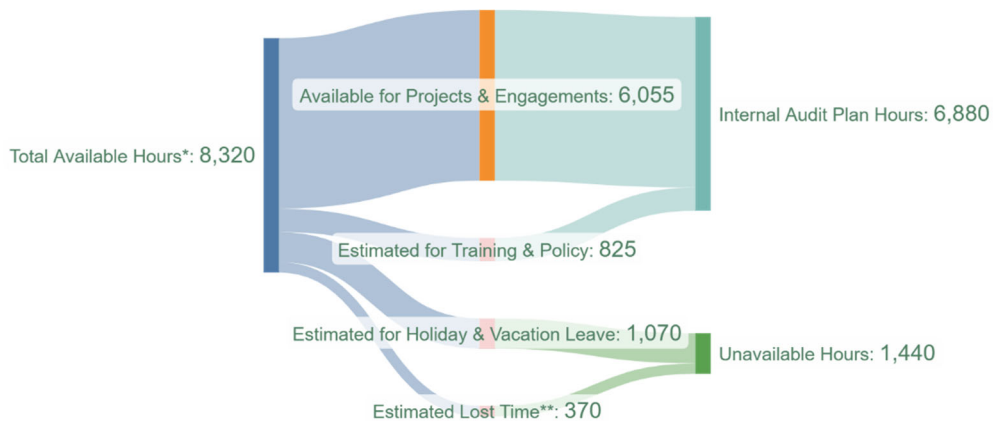
- Staff Development

- IA Division Chief intends on pursuing the CFE certification
- Continuing Professional Education (CPE) completed annually by CPA licensees as required by the California Board of Accountancy
- The IA Chief and Supervisor provide IA staff in-house training
- IA staff are encouraged to pursue CPA, CFE, and Certified Internal Auditor (CIA) licensure



- IA Division Available Hours

- A total of 6,880 staff hours are available for the Internal Audit Plan, as illustrated below:



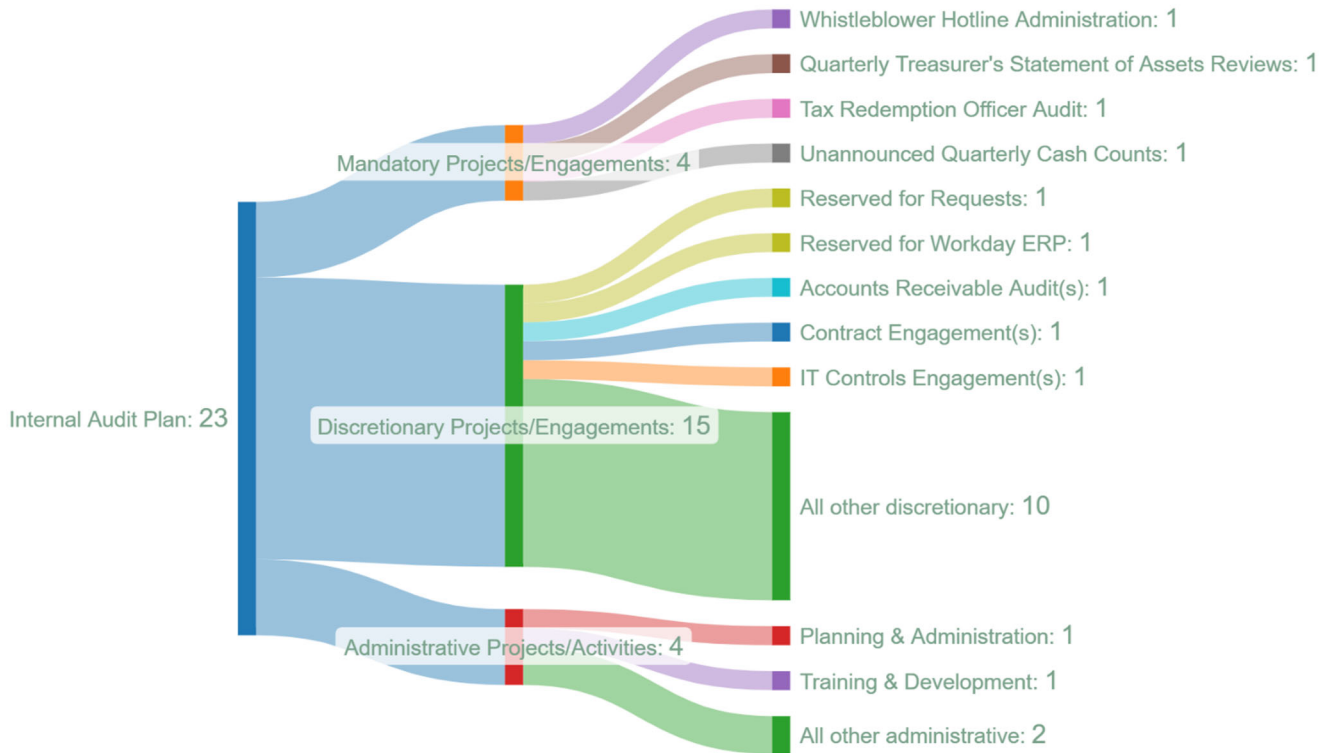
\*2,080 hours x 4 full-time IA Staff = 8,320 hours available.

\*\*Lost Time consists of hours "lost" due to sickness or leave of absence. Hours were calculated based off the Auditor-Controller Department average of 4.4% for the 2024 payroll calendar year.



## Internal Audit Plan FY 2025-2026 Allocation

Departments with a High risk rating from the Countywide Risk Assessment will be primarily selected by Internal Audit when executing the Internal Audit Plan. The principal projects and engagements of the FY 2025-2026 Internal Audit Plan are illustrated below:



Please refer to "Exhibit B" for the Internal Audit Plan Allocation Detail of all activity.

Please refer to "Exhibit C" for the prior year Internal Audit Plan Status of all activity.

Exhibit A - FY 2025-2026 Countywide Risk Assessment Detail

| Department Name                | Adopted Budget vs. Actuals | Staffing Changes | Budgeted FTE Employees | External Monitoring | Grand Jury Reports | Whistleblower Reports | Department Questionnaire and IT Risk | Time Since Last Audit | Cost of Capital Assets | Expenditure Analysis | Legal Settlements | Workers' Compensation Claims | Judgmental Adjustment # | Total       |
|--------------------------------|----------------------------|------------------|------------------------|---------------------|--------------------|-----------------------|--------------------------------------|-----------------------|------------------------|----------------------|-------------------|------------------------------|-------------------------|-------------|
| Auditor-Controller &           | MEDIUM-LOW                 | MEDIUM           | LOW                    | MEDIUM-HIGH         | LOW                | LOW                   | HIGH                                 | LOW                   | LOW                    | LOW                  | LOW               | LOW                          | HIGH                    | HIGH        |
| Information Technology         | MEDIUM-LOW                 | MEDIUM-HIGH      | LOW                    | LOW                 | LOW                | LOW                   | HIGH                                 | MEDIUM-LOW            | LOW                    | MEDIUM-LOW           | LOW               | LOW                          | HIGH                    | HIGH        |
| Sheriff                        | MEDIUM-LOW                 | MEDIUM-LOW       | HIGH                   | MEDIUM-HIGH         | HIGH               | HIGH                  | MEDIUM-HIGH                          | MEDIUM-LOW            | MEDIUM-LOW             | HIGH                 | MEDIUM-LOW        | HIGH                         |                         | HIGH        |
| Public Works                   | MEDIUM-HIGH                | MEDIUM           | MEDIUM                 | MEDIUM-HIGH         | LOW                | MEDIUM                | MEDIUM-HIGH                          | MEDIUM-HIGH           | HIGH                   | HIGH                 | LOW               | LOW                          |                         | HIGH        |
| Social Services                | MEDIUM-LOW                 | MEDIUM           | HIGH                   | HIGH                | LOW                | MEDIUM-HIGH           | MEDIUM-HIGH                          | MEDIUM-LOW            | LOW                    | HIGH                 | LOW               | MEDIUM-LOW                   |                         | HIGH        |
| Behavioral Wellness            | MEDIUM-LOW                 | MEDIUM           | MEDIUM                 | HIGH                | LOW                | MEDIUM-LOW            | MEDIUM-HIGH                          | HIGH                  | LOW                    | MEDIUM-HIGH          | HIGH              | LOW                          |                         | HIGH        |
| Public Health                  | MEDIUM-LOW                 | MEDIUM-HIGH      | MEDIUM-HIGH            | MEDIUM-HIGH         | LOW                | MEDIUM-LOW            | MEDIUM-HIGH                          | HIGH                  | LOW                    | MEDIUM               | LOW               | MEDIUM                       |                         | HIGH        |
| County Executive Office @      | HIGH                       | MEDIUM-HIGH      | LOW                    | MEDIUM-HIGH         | LOW                | LOW                   | MEDIUM-HIGH                          | HIGH                  | MEDIUM-LOW             | MEDIUM               | LOW               | LOW                          |                         | MEDIUM-HIGH |
| General Services %             | MEDIUM                     | MEDIUM-HIGH      | MEDIUM-LOW             | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | MEDIUM-HIGH           | MEDIUM                 | MEDIUM               | LOW               | LOW                          |                         | MEDIUM-HIGH |
| Probation                      | MEDIUM-LOW                 | MEDIUM           | MEDIUM                 | MEDIUM-HIGH         | LOW                | LOW                   | MEDIUM-HIGH                          | MEDIUM-HIGH           | LOW                    | MEDIUM-LOW           | LOW               | MEDIUM                       |                         | MEDIUM      |
| Fire                           | MEDIUM-LOW                 | MEDIUM           | MEDIUM                 | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | MEDIUM-LOW            | LOW                    | MEDIUM               | LOW               | MEDIUM-HIGH                  |                         | MEDIUM      |
| Community Services             | MEDIUM                     | MEDIUM           | MEDIUM-LOW             | MEDIUM-HIGH         | LOW                | MEDIUM                | MEDIUM-HIGH                          | LOW                   | MEDIUM-LOW             | MEDIUM-LOW           | LOW               | LOW                          |                         | MEDIUM      |
| Child Support Services         | LOW                        | MEDIUM           | LOW                    | MEDIUM-HIGH         | LOW                | LOW                   | MEDIUM-HIGH                          | HIGH                  | LOW                    | LOW                  | LOW               | LOW                          |                         | MEDIUM      |
| Human Resources                | LOW                        | MEDIUM           | LOW                    | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | HIGH                  | LOW                    | LOW                  | LOW               | LOW                          |                         | MEDIUM      |
| Clerk-Recorder-Assessor        | LOW                        | MEDIUM-HIGH      | MEDIUM-LOW             | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | LOW                   | LOW                    | LOW                  | LOW               | LOW                          |                         | MEDIUM-LOW  |
| District Attorney              | LOW                        | MEDIUM           | MEDIUM-LOW             | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | MEDIUM                | LOW                    | MEDIUM-LOW           | LOW               | LOW                          |                         | MEDIUM-LOW  |
| Treasurer-Tax Collector-PAPG + | MEDIUM-LOW                 | MEDIUM-LOW       | LOW                    | MEDIUM              | LOW                | LOW                   | MEDIUM-HIGH                          | LOW                   | LOW                    | LOW                  | LOW               | LOW                          |                         | MEDIUM-LOW  |
| Agricultural Commissioner/W&M  | LOW                        | MEDIUM           | LOW                    | MEDIUM-HIGH         | LOW                | LOW                   | MEDIUM-HIGH                          | LOW                   | LOW                    | LOW                  | LOW               | LOW                          |                         | MEDIUM-LOW  |
| Planning & Development         | MEDIUM-LOW                 | MEDIUM           | MEDIUM-LOW             | LOW                 | LOW                | LOW                   | MEDIUM-HIGH                          | MEDIUM                | LOW                    | MEDIUM-LOW           | LOW               | LOW                          |                         | MEDIUM-LOW  |
| First 5, Children & Families   | LOW                        | MEDIUM-HIGH      | LOW                    | LOW                 | LOW                | LOW                   | MEDIUM-HIGH                          | LOW                   | LOW                    | LOW                  | LOW               | LOW                          |                         | LOW         |
| Board of Supervisors           | LOW                        | MEDIUM           | LOW                    | LOW                 | LOW                | LOW                   | MEDIUM-HIGH                          | HIGH                  | LOW                    | LOW                  | LOW               | LOW                          |                         | LOW         |
| Public Defender                | LOW                        | MEDIUM-LOW       | MEDIUM-LOW             | LOW                 | LOW                | LOW                   | MEDIUM-HIGH                          | HIGH                  | LOW                    | LOW                  | LOW               | LOW                          |                         | LOW         |
| County Counsel                 | LOW                        | MEDIUM           | LOW                    | LOW                 | LOW                | LOW                   | MEDIUM-HIGH                          | LOW                   | LOW                    | LOW                  | LOW               | LOW                          |                         | LOW         |

Legend

- & General Revenues was included in part of the analysis of the Auditor-Controller department due to the oversight of their operations.
- @ Court Special Services and General County Programs were included in part of the analysis of the County Executive Office department due to the oversight of their operations.
- % North County Jail was included in part of the analysis of the General Services department due to the oversight of their operations.
- + Debt Service was included in part of the analysis of the Treasurer-Tax Collector department due to the oversight of their operations.
- # Please refer to the “Countywide Risk Assessment Criteria” section of this report for detail pertaining to the Judgmental Adjustment criteria (along with all other criteria descriptions).

## Exhibit B - FY 2025-2026 Internal Audit Plan Detail

| #   | Project/<br>Engagement  | Engagement<br>Objective   | Est.<br>Hours |
|---|---|---|---------------|
| <b>Mandatory Projects/Engagements</b>     |   |   |               |
| M1  | Whistleblower Hotline Administration, Management, and Reporting         | Per County BOS Resolution 11-432, which established the County's Fraud, Theft, and Loss Policy, and California Government Code §53087.6 which authorizes local governments to create whistleblower hotlines, the County's Whistleblower Policy was created to establish the County's Whistleblower Hotline (Hotline). The purpose of the Hotline is to allow for confidential reporting by employees, vendors, constituents, etc. of incidents of suspected fraud, waste, and abuse. The IA Division administers the Hotline and is responsible for the evaluation and assessment of the reported incidents in order to determine whether incidents should be investigated directly or referred to appropriate County management and/or external entities (ex: local police). | 500           |
| M2  | Quarterly Treasurer's Statement of Assets (Cash and Investment) Reviews | Pursuant to California Government Code §26920 and Santa Barbara County Code 2-23.2, the quarterly Cash and Investments Reviews determine whether cash and investments shown on the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool are reasonably stated and do not appear to require any material adjustments. Cash and Investments Reviews will be performed for the quarters ending September 30, 2025; December 31, 2025; and March 31, 2026.   | 300           |
| M3  | Tax Redemption Officer Audit  | Mandatory engagement to determine whether Property Tax Redemption activities are accurately initiated, calculated, recorded, fulfilled and reported in compliance with applicable California (CA) Revenue & Taxation Code (RTC). This audit for the period of July 1, 2020-June 30, 2023 will verify the accuracy and completeness of records supporting Property Tax Redemption activities and verify that the Santa Barbara County Tax Collector's Redemption process related to tax-defaulted property is in compliance with California RTC §3691-3731.1 and §4101-4379.   | 250           |
| M4  | Unannounced Quarterly Cash Counts                                       | Unannounced quarterly cash counts are performed at various County departments to verify imprest cash change fund balances and determine compliance with the County Cash Handling Guidelines for change funds. Cash counts also assist in determining compliance with the County's Cash Handling Guidelines by reviewing existing practices of controlling cash receipts, accountability for cash, safeguarding of cash, timely deposits, and accurate record keeping.   | 100           |
| <b>Discretionary Projects/Engagements</b> |   |   |               |
| D1  | Reserved for Requested Projects & Engagements                           | IA Division hours are set aside on an annual basis in order to allow for attention to special requests, management requests, and unforeseen assistance on projects/engagements.   | 800           |
| D2  | Reserved for Workday ERP Projects & Engagements                         | This allotment includes hours for Workday ERP projects and engagements related to Auditor Tiger Team activities, data validations, financial statement and transaction reconciliations, and role assignment reviews in the final lead up to Phase 1-Financials go-live and beyond.  | 800           |



**Annual Countywide Risk Assessment and Internal Audit Plan for FY 2025-2026**

|     |   |  |            |
|-----|---|--|------------|
| D3  | Contract Engagement(s)  | An annual review of a high profile and/or high-risk Board contract is performed to determine compliance with Public Contract Code (if applicable), County purchasing policies and procedures, contract terms, contract performance, etc.   | <b>500</b> |
| D4  | Reserved for Information Technology (IT) Controls Engagements for High-Risk Departments     | This allotment includes hours reserved for IT controls engagements of departments designated as high-risk in the Countywide Risk Assessment. The engagements will be designed to evaluate the effectiveness of a department's IT controls in managing IT related risks. This is especially important given the inherently risky implementation of a new ERP system.                                    | <b>450</b> |
| D5  | Reserved for Financial Controls Engagements for High-Risk Departments                       | This allotment includes hours reserved for financial controls engagements of departments designated as high-risk in the Countywide Risk Assessment. The engagements will be designed to evaluate and test the effectiveness of a department's internal controls over financial reporting with a goal of ensuring reliable, complete and accurate financial statements.                                 | <b>450</b> |
| D6  | Accounts Receivable Audits  | Annual audits to determine compliance with the County's Financial Reporting Policies for accounts receivable. The reviews will be performed for various departments throughout the fiscal year with a focus on management requests and high-risk departments.  | <b>400</b> |
| D7  | First 5 Santa Barbara County Children & Families Commission Financial Statement Compilation | Compile the FY 2024-2025 financial statements for the First 5 Santa Barbara County Children and Families Commission (First 5) Annual Report and act as an intermediary between First 5 and the County's external auditors, Brown Armstrong Accountancy Corporation, during the annual audit. In addition, the budgeted hours include FY 2025-2026 soft-close preparatory work.                         | <b>400</b> |
| D8  | Department Petty Cash Reviews   | Annual reviews to determine compliance with the County's Petty Cash (Imprest Cash Control) Policy and the County's Cash Handling Guidelines. The reviews are unannounced and will be performed for various departments throughout the fiscal year, with an emphasis placed on management requests and department risk rating.  | <b>300</b> |
| D9  | General Ledger Transactions Testing   | Review of various transactions processed within the County's general ledger application for accuracy and authorization. Reviews will include steps to identify potential fraudulent transactions and/or irregularities.  | <b>200</b> |
| D10 | Security Incident and Property Loss Monitoring and Reporting                                | Per the County's Fraud, Theft, and Loss Policy, all instances of lost, stolen, and damaged property are to be immediately reported to the IA Division and Risk Management. Security incident (including data breach) and property loss reporting will be tracked throughout the year, and an annual Security Incident and Property Loss Report will be prepared for the BOS following fiscal year-end. | <b>200</b> |



**Annual Countywide Risk Assessment and Internal Audit Plan for FY 2025-2026**

|   |   |   |              |
|---|---|---|--------------|
| D11                                       | External Audit Monitoring and Reporting               | Per the County's External Audits Policy, audit reports prepared by outside audit agencies should be provided to IA in order to allow for review of results and findings. IA should also be made aware of audit entrance and exit conferences as attendance at these conferences may occasionally be necessary and can be determined on an audit-by-audit basis. An annual report is presented to the BOS summarizing overall observations of external audits performed throughout the fiscal year.  | 100          |
| D12                                       | Cash Shortages and Overage's Monitoring and Reporting | Continuous monitoring of cash shortages and overages will be performed throughout the year. Per County Cash Handling Guidelines, shortages and overages in excess of \$50 must be reported to the Auditor-Controller. The IA Division will review the facts and circumstances related to \$50+ shortages and overages and will follow up accordingly with applicable Department management. This also includes an annual fiscal year-end report presented to the BOS summarizing FY results.  | 100          |
| D13                                       | Annual Whistleblower Hotline Report                   | Annual fiscal year-end report presented to the BOS that provides a high-level overview of confidential Whistleblower Hotline activity.  | 75           |
| D14                                       | Annual Report of \$200K+ Disbursements to Vendors     | Annual fiscal year-end report presented to the BOS detailing vendors that received total payments in excess of \$200,000 during the fiscal year.  | 70           |
| D15                                       | Special District Monitoring and Assistance            | Provide ongoing monitoring and assistance to the County's various independent Special Districts. This includes Special District financial statement audit and budget monitoring and reporting.  | 60           |
| <b>Administrative Projects/Activities</b> |   |   |              |
| A1  | Internal Audit Planning and Administration            | Includes time related to IA staffing and scheduling as well as planning for engagements, monitoring engagement budgets, discussions of pertinent items, communications with auditees, etc.  | 350          |
| A2  | Internal Audit Training and Development               | Institute of Internal Auditors (IIA) professional standards require internal auditors to complete annual continuing professional education. IA Division staff training and development are consistent with requirements under IIA Standards 1210-Proficiency, 1220-Due Professional Care, and 1230-Continuing Professional Development. Certified Public Accountant licensees require annual Continuing Professional Education. In addition, training is prepared internally by the IA Division Chief and IA Division Supervisor and provided officewise to Auditor-Controller staff. | 250          |
| A3  | Annual Countywide Risk Assessment                     | Pursuant to the County's IA Charter, the IA Division conducts a risk assessment for the IA Plan that is used as a component of the annual Audit Plan. The intention is to update the current FY 2024-2025 Countywide Risk Assessment.   | 150          |
| A4  | Annual Internal Audit Plan                            | Preparation of annual Internal Audit Plan detailing mandatory, discretionary, and administrative activities. Use of the most recent Countywide Risk Assessment helps guide discretionary engagements.   | 75           |
|   |   |   |              |
|   |   | <b>TOTAL ESTIMATED AVAILABLE HOURS</b>  | <b>6,880</b> |



## Exhibit C – FY 2024-2025 Internal Audit Plan (Prior Year) Status

The following completed projects and engagements (unless otherwise noted with an \*) outlined in the FY 2024-2025 Internal Audit Plan are as follows, as of June 30, 2025:

### Mandatory Projects/Engagements

1. Whistleblower Hotline Administration and Management
  - a. See upcoming FYE report for a high-level overview of FY 2024-25 Whistleblower Hotline activity
2. Cash & Investment Reviews for the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool
  - a. September 30, 2024; December 31, 2024; and March 31, 2025
3. Unannounced Quarterly Cash Counts – five (5) cash counts were performed over the course of the fiscal year for the following departments and locations:
  - a. Clerk-Recorder-Assessor-Elections – Santa Barbara location
  - b. Treasurer-Tax Collector – Santa Barbara location
4. Tax Redemption Officer Audit for the period of July 1, 2020-June 30, 2023\*

### Discretionary Projects/Engagements

5. Workday ERP Phase 1 Financials Implementation – Auditor Tiger Team
6. Workday ERP Phase 1 Financials Implementation – Various Data Validations and Reconciliations
7. FY 2023-2024 First 5 Santa Barbara County Children and Families Commission Financial Statement Compilation
8. Auditor-Controller Petty Cash Review
9. Property Loss and Security Incident Monitoring and Reporting
10. External Audit Monitoring and Reporting
11. Cash Overages and Shortages Monitoring and Reporting
12. Annual Report to the BOS of \$200,000+ Disbursements to Vendors
13. Annual Report to the BOS of Whistleblower Hotline Activity
14. General Ledger Transaction Testing
15. Public Works Emergency Contracts Project\*
16. Sheriff Contract Project\*
17. Accounts Receivable Audit – Agricultural Commissioner/Weights and Measures\*
18. External Agency Monitoring\*

### Administrative Projects/Activities

19. Staff Training and Development
20. Countywide Risk Assessment
21. Annual Internal Audit Plan

### Other Discretionary Projects/Engagements (not originally included in the FY 2024-2025 Internal Audit Plan)

22. Various Workday ERP Implementation Project Reconciliation, Validation, and Review Engagements
23. Development of Multiple Smartsheet Based Departmental Data Collection Forms and Questionnaires
24. Auditor-Controller Intranet/Internet Update Project
25. November Presidential Election Logic & Accuracy Testing Observation
26. Public Administrator-Public Guardian Vault Project
27. Confidential Vendor Fraud Investigation\*
28. Community Services Department Homeless Grants Agreed Upon Procedures (AUP) Engagement – Led by Nasif, Hicks, Harris & Co.\*

\*In Progress as of June 30, 2025