

Attachment

Fiscal Year 2024-2025 Internal Audit Plan

County of Santa Barbara Office of the Auditor-Controller

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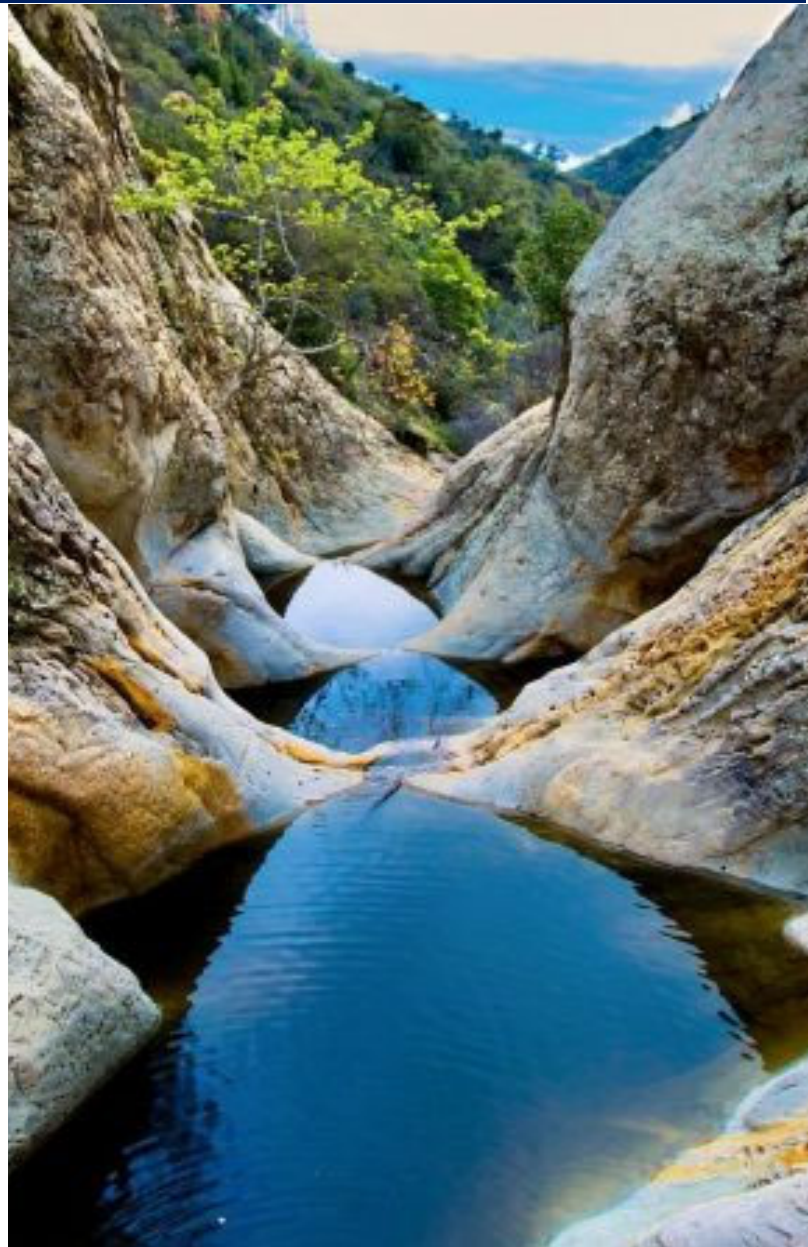




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Overview

The Internal Audit (IA) Division of the County of Santa Barbara's 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 proposed fiscal year (FY) 2024-2025 Internal Audit Plan (Audit Plan) for the period of July 1, 2024 through June 30, 2025.

Mission, Purpose, Authority, and Responsibility

In May 1961, the County enacted California Government Code §26883, authorizing the Auditor-Controller to audit the accounts and records of any department, office, board or institution under control of the County Board of Supervisors (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 strives to provide expertise and evaluate and improve the effectiveness of internal controls and other processes, minimize risks, and enhance operational effectiveness for County stakeholders; as well as contribute to protecting and safeguarding 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 upon 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.

IA Division projects and engagements are generally categorized as follows:

- *Mandatory Engagements*
 - Engagements mandated by California Government Code, County BOS Resolution, etc.
- *Discretionary Engagements*
 - Discretionary engagements make up the majority of budgeted hours within the 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 management requests, the receipt of confidential information, risk assessment, monitoring, etc. Examples of discretionary engagements include internal control reviews, special projects, information technology audits, consulting activities, etc.
- *Administrative Activities*
 - This category includes activities such as staff training & development, risk assessment, engagement management, planning, and general IA Division administration.



Independence

The IA Division consists of a Division Chief, a Supervisor, and a Financial Accounting Analyst who report directly 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.

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.



FY 2023-2024 Internal Audit Plan Status

The following completed projects and engagements (unless otherwise noted with an *) outlined in the FY 2023-2024 Audit Plan are as follows, as of June 30, 2024:

Mandatory Projects/Engagements

1. Whistleblower Hotline Administration and Management
 - a. See upcoming report for a high-level overview of FY 2023-24 Whistleblower Hotline activity
2. Cash & Investment Reviews for the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool
 - a. September 30, 2023; December 31, 2023; and March 31, 2024
3. Unannounced Quarterly Cash Counts – A total of eighty-three (83) cash counts performed on a quarterly basis over the course of the fiscal year for the following departments and locations:
 - a. Clerk-Recorder-Assessor-Elections – Santa Barbara locations
 - b. Community Services – Cachuma Lake and Jalama Beach
 - c. Public Works – South Coast Recycling and Santa Ynez Valley Recycling
 - d. Probation – Santa Barbara and Santa Maria locations
 - e. Treasurer-Tax Collector – Santa Barbara and Santa Maria locations

Discretionary Projects/Engagements

4. Workday ERP Phase 1 Financials Implementation – Functional Area Lead: Security, Employee Expenses, and Business Assets
5. FY 2022-2023 First 5 Santa Barbara County Children and Families Commission Financial Statement Compilation
6. Lost and Stolen Property Monitoring and Reporting
7. External Audit Monitoring and Reporting
8. Cash Overages and Shortages Monitoring and Reporting
9. Annual Report of \$200,000+ Disbursements to Vendors
10. Petty Cash Reviews – County Counsel; Human Resources; and Auditor-Controller
11. Review of Internal Controls Over Warrants (Paper Checks) – Social Services Rush Warrants
12. General Ledger Transaction Testing*
13. County Owned Land Inventory and Use Study*
14. Accounts Receivable Review Planning*

Administrative Activities

15. Staff Training and Development
16. Annual Audit Plan
17. Enterprise Risk Assessment*
18. IA Newsletter*

Other Projects/Engagements Not Included in FY 2023-2024 Audit Plan

19. Various Workday ERP Implementation Project Reconciliation, Validation, and Review Engagements
20. Observation of one (1) Housing & Community Development Inclusionary Housing Program Lottery
21. Development of Smartsheet Based Departmental Data Collection Forms
22. Department Head Transfer of Fiscal Responsibility – Child Support Services; Community Services; Human Resources; and Public Works

*In Progress as of June 30, 2024



FY 2024-2025 Internal Audit Plan

The FY 2024-2025 Audit Plan has been developed to determine the upcoming priorities of the IA Division of the Auditor-Controller’s Office for the period of July 1, 2024 through June 30, 2025. During FY 2023-2024 IA staff was tasked with acting as Functional Leads, subject matter experts, and support staff for Phase 1 of the ongoing Countywide Workday ERP implementation project which required the dedication of a large percentage of available IA staff hours. Due to the aforementioned ERP assignments, coupled with continuing staff shortages, the IA Division was not able to undertake as many projects and engagements from the FY 2023-2024 Audit Plan as desired. Recruitment efforts continue in an attempt to fill staff vacancies and further bolster the Division.

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 Audit Plan may be required and that the proposed Audit Plan may necessitate adjustment during the course of FY 2024-2025.

Several factors were considered while developing the FY 2024-2025 Audit Plan, including, but not limited to:

- Engagements (Audits, Reviews, etc.) mandated by California Government Code and/or County BOS Resolutions;
- FY 2018-2019 Enterprise Risk Assessment;
- Consultations with County management;
- Available IA Division staff hours;
- Countywide ERP Implementation Project

IA Division Staff Hours:

| | |
|---|--------------|
| Total IA Division Staff Hours Available* | 10,400 |
| Estimated Holiday and Vacation Leave Taken | - 1,100 |
| Estimated Lost Time** | - 330 |
| | 8,970 |
| Total Estimated Available Hours | 8,970 |
| Training/Policy Tasks | - 860 |
| | 8,110 |
| Total IA Division Staff Hours Available for Projects/Engagements | 8,110 |

*2,080 hours x 5 FTE IA Staff = 10,400 hours

**Lost Time consists of hours "lost" due to sickness or leave of absence. Hours were calculated based off the Auditor-Controller Department average of 3.1% for the 2023 payroll calendar year.



FY 2024-2025 Audit Plan Detail

| # | Project/ Engagement | Engagement Objective | Est. Hours |
|---|---|---|---------------|
| Mandatory Projects/Engagements | | | |
| 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). County Counsel and the Chief Executive Officer are also privy to Hotline reporting. | 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, 2024; December 31, 2024; and March 31, 2025. | 400 |
| M3 | 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. | 300 |
| Discretionary Projects/Engagements | | | |
| 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. | 1,000 |
| D2 | Reserved for Workday ERP Projects & Engagements | This allotment includes hours for Workday ERP projects and engagements related to data validations as well as financial statement and transaction reconciliations as Phase 1-Financials go-live approaches. This also includes reviews of contracts and change orders. | 500 |



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| D3 | Accounts Receivable Reviews | Annual reviews 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. | 500 |
| D4 | First 5 Santa Barbara County Children & Families Commission Financial Statement Compilation | Compile the FY 2023-2024 financial statements for the First 5 Santa Barbara County Children and Families Commission (First 5) and act as an intermediary between First 5 and the County's external auditors, Brown Armstrong Accountancy Corporation, during the course of the annual audit. This also includes hours for the FY 2024-25 interim/soft-close financial statements. | 400 |
| D5 | Board Contract Review | 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. | 400 |
| D6 | General Ledger Transactions Testing | Review of various transactions processed within the County's general ledger application (Financial Information Network; FIN) for accuracy and authorization. Reviews will include steps to identify potential fraudulent transactions and/or irregularities. | 400 |
| D7 | Motor Pool Audit | Audit of employee Motor Pool usage for compliance with County policies and procedures. | 400 |
| D8 | Employee Overtime Usage Audit | Review of overtime usage of County employees for compliance with, and adherence to, MOUs and County overtime policy. | 400 |
| D9 | Controlled Capital-type Items (CCI) Reviews | Department level CCI reviews will focus on controls over assets that are not capitalizable but fall within the following categories: 1) Items that require special attention to ensure legal compliance; 2) Items that require special attention to protect public safety and avoid potential liability; 3) Items that require special attention to compensate for a heightened risk of theft. The reviews will be performed for various departments throughout the fiscal year. | 300 |
| D10 | 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. | 300 |
| D11 | County Owned Art and Historical Items Inventory | Compile a comprehensive inventory of all County owned art and items of historical significance. Determine the location, fair market valuation, etc. of each item while assessing controls related to the safeguarding of the items. | 250 |
| D12 | County Owned Land Inventory and Use Study | Compile a comprehensive inventory of all County owned land using the various records from the Assessor, Auditor Financial Reporting, Auditor Property Tax, and General Services Real Property. Determine the responsibility and usage associated with each property. | 250 |
| D13 | 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. | 200 |



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| D14 | Information Technology (IT) Reviews | Reviews of IT management controls (i.e., safeguarding assets, data integrity, effectiveness) for various departments. The purpose of these reviews is to ensure the confidentiality, integrity, and availability of data in the County's IT systems. | 200 |
| D15 | Employee Benefits Study | Perform study to gain understanding of how both employee and employer benefit (specifically Health Insurance) costs are determined. This study will include the collection of data and rates from similar organizations for comparative purposes. | 200 |
| D16 | 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. | 150 |
| D17 | Special District Monitoring and Assistance | Provide ongoing monitoring and assistance to the County's various independent Special Districts. This includes Special District external audit monitoring and reporting. | 100 |
| D18 | Review of Internal Controls Over Warrants (Paper Checks) | The IA Division will review the internal controls for the warrant issue and printing process of Departments and entities that use the Auditor-Controller's signature to issue and print their own warrants. | 100 |
| D19 | Cash Shortages and Overages 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. | 100 |
| D20 | Department Head Transfer of Fiscal Responsibility | In the event of a department head change, a certification based on Auditor-Controller records is completed by both the outgoing and incoming department head acknowledging the assets of the department as of the date of transfer. | 100 |
| D21 | Annual Whistleblower Hotline Report | Annual fiscal year-end report that provides a high-level overview of confidential Whistleblower Hotline activity. | 100 |
| D22 | Internal Audit Newsletter | Regular communication to County management and stakeholders regarding Internal Audit developments and topics of note. | 100 |
| D23 | Inventory of the County's Joint Power Agreements (JPAs) | Compile a comprehensive inventory of all JPAs the County participates in. Determine the related responsibilities and requirements of the agreements. | 100 |
| D24 | 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. | 60 |



| Administrative Activities | | | |
|----------------------------------|---|--|--------------|
| 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. | 375 |
| A2 | Enterprise 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 or replace the most recent FY 2018-2019 Enterprise Risk Assessment. | 300 |
| A3 | Internal Audit Training and Development | Institute of Internal Auditors (IIA) professional standards requires 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 officewide to Auditor-Controller staff. | 300 |
| A4 | Annual Internal Audit Plan | Preparation of annual Internal Audit Plan detailing mandatory, discretionary, and administrative activities. Use of the most recent Countywide Enterprise Risk Assessment helps guide discretionary engagements. | 60 |
| A5 | Quality Assurance and Improvement Program | IA Division management will perform periodic self-assessments and monitoring to ensure an adequate Quality Assurance and Improvement Program is in place as required by the County’s IA Charter and the IIA Standard 1300-Quality Assurance and Improvement Program. | 50 |
| A6 | Review and Update Internal Audit Procedures | IA procedures will be reviewed and updated accordingly to align with revisions made to IIA Standard 2040-Policies and Procedures. | 50 |
| A7 | CEO Compliance & Accountability Division Meetings | Meetings with the County Compliance & Accountability Officer to discuss entrance/exit meetings, corrective action plans, etc. related to internal and external audits of County departments. | 25 |
| | | | |
| | | TOTAL ESTIMATED AVAILABLE HOURS | 8,970 |



IA Division Staff

IA Division Staff Certifications

- IA Division Chief: Certified Public Accountant (CPA)
- IA Supervisor: CPA
- IA Financial Systems Analyst: In process of completing CPA exam
- IA Accountant-Auditor II: CPA
- IA Accountant-Auditor I: Studying for CPA exam

Staff Development

- IA Division Chief and Supervisor intend on pursuing the Certified Fraud Examiner (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