

# Attachment

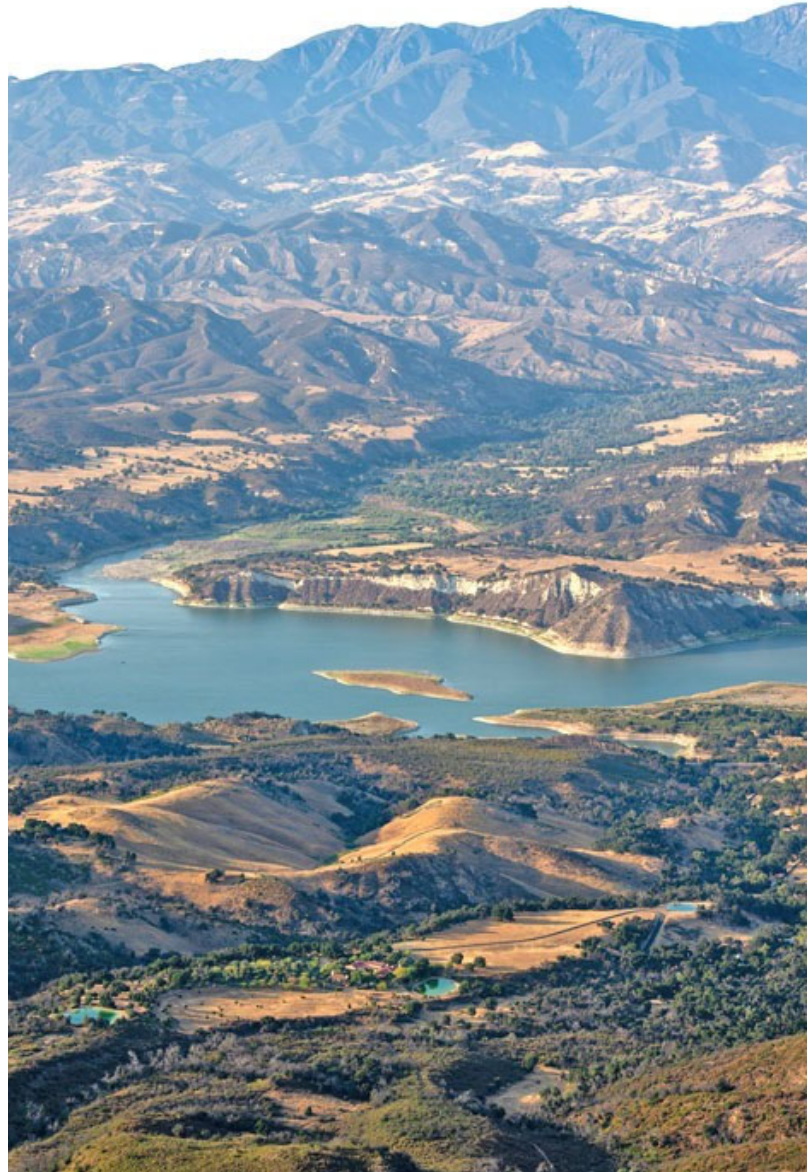
# Fiscal Year 2023-2024 Internal Audit Plan

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

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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) 2023-2024 Internal Audit Plan (Audit Plan) for the period of July 1, 2023 through June 30, 2024.

## 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 (NOTE: two Financial Accounting Analyst/Lead Auditor positions are currently vacant but in the process of being filled) 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.

## IA 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 2022-2023 Internal Audit Plan Status

The following completed projects and engagements (unless otherwise noted with an \*) outlined in the FY 2022-2023 Audit Plan are as follows, as of June 30, 2023:

### Mandatory Projects/Engagements

1. Whistleblower Hotline Administration and Management
  - Fifty-nine (59) reports received from June 16, 2022-June 30, 2023; eleven (11) remain open/in progress
2. Cash & Investment Reviews for the Statement of Assets of the Santa Barbara County Treasurer's Investment Pool
  - September 30, 2022; December 31, 2022; and March 31, 2023
3. Quarterly Unannounced Cash Counts – A total of eighty-eight (88) cash counts performed on a quarterly basis over the course of the fiscal year for the following departments and locations:
  - Behavioral Wellness – Lompoc, Santa Barbara, and Santa Maria locations
  - Clerk-Recorder-Assessor – Santa Barbara and Santa Maria locations
  - Community Services – Cachuma Lake and Jalama Beach
  - Public Works – Surveyor Office, Santa Barbara Transfer Station, Santa Ynez Transfer Station
  - Treasurer-Tax Collector – Santa Barbara and Santa Maria locations

### Discretionary Projects/Engagements - Ongoing Routine/Recurring

1. FY 2022-2023 First 5 Santa Barbara County Children and Families Commission Financial Statement Compilation
2. Lost and Stolen Property Monitoring and Reporting - *(previously classified as Administrative)*
3. External Audit Monitoring and Reporting - *(previously classified as Administrative)*
4. Cash Overages and Shortages Monitoring and Reporting - *(previously classified as Administrative)*
5. Annual Report of \$200K+ Disbursements to Vendors - *(previously classified as Administrative)*
6. Petty Cash Review – Auditor-Controller
7. Board Contract Review\*
8. Department Head Transfer of Fiscal Responsibility – Agriculture/Weights & Measures; District Attorney; General Services; Probation; Public Health (twice) - *(previously classified as Administrative)*

### Discretionary Projects/Engagements - One-Time

1. Credit Card Administration Review\*
2. Internal Control Assessment of the SBCERS Warrant Printing Process

### Administrative Activities

1. Staff Training and Development
2. IA Newsletter

### Other Projects/Engagements Not Included in FY 2022-2023 Audit Plan

1. Countywide Workday Enterprise Resource Planning (ERP) Implementation Project – Phase 1 Financials\*
  - a. IA Division Chief: Business Assets Functional Lead and Expenses Functional Lead
  - b. IA Supervisor: Security Functional Lead
  - c. IA Staff: Foundation Data Model Research and Support
2. Observation of three (3) Housing & Community Development Inclusionary Housing Program Lotteries
3. Observation of the November 8, 2022 Elections Logic and Accuracy Certification

\*In Progress as of June 30, 2023



## FY 2023-2024 Internal Audit Plan

The FY 2023-2024 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, 2023 through June 30, 2024. During FY 2022-2023 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 2022-2023 Audit Plan as desired. As such, we have contracted with Brown Armstrong Accountancy Corporation to provide support and assistance in completing FY 2023-2024 Audit Plan projects and engagements. In addition, 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 2023-2024.

Several factors were considered while developing the FY 2023-2024 Audit Plan, including:

1. Engagements (Audits, Reviews, etc.) mandated by California Government Code and/or County BOS Resolutions;
2. Countywide ERP Implementation Project;
3. Consultations with County management;
4. Available IA Division staff hours;
5. Brown Armstrong Accountancy Corporation assistance contract; and
6. FY 2018-2019 Enterprise Risk Assessment

IA Division Staff Hours:

Total IA Division Staff Hours Available*		9,740
Estimated Brown Armstrong (BA) Assistance Hours**	+	600
Estimated Holiday and Vacation Leave Taken	-	960
Estimated Lost Time	-	300
<b>Total Estimated Available Hours</b>		<b>9,080</b>
Training/Policy Tasks	-	600
<b>Total IA Division Staff &amp; BA Hours Available for Projects/Engagements***</b>		<b>8,480</b>

\*2,080 hours x 3 FTE IA Staff = 6,240 Total IA Division Staff Hours Available + 2,080 hours x 10/12 months for 2 new FTE = 3,500 hours (rounded)

\*\* 600 hours of Brown Armstrong assistance based on \$100,000 contract/\$170 avg hourly rate (rounded)

\*\*\* 2 Financial Accounting Analyst/Lead Auditor positions are currently vacant but in the process of being filled



## FY 2023-2024 Audit Plan Detail

#	Project/ Engagement	Engagement Objective	Est. Hours
<b>Mandatory Projects/Engagements</b>			
M1	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, 2023; December 31, 2023; and March 31, 2024.	500
M2	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
M3	Unannounced Quarterly Cash Counts	Quarterly unannounced 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.	300
<b>Discretionary Projects/Engagements</b>			
D1	Workday Enterprise Resource Planning (ERP) Phase 1 Financials Implementation	Assist in the Phase 1 Financials implementation for the Countywide Workday ERP project. Acting in the capacity of Functional Leads (Business Assets, Expenses, and Security), Subject Matter Experts, and research/support staff.	1,580
D2	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.	1,200
D3	Board Contract Reviews	Annual reviews of high profile and/or high-risk Board contracts are performed to determine compliance with Public Contract Code (if applicable), County purchasing policies and procedures, contract terms, contract performance, etc.	400





D4	First 5 Santa Barbara County Children and Families Commission Financial Statement Compilation	Compile the FY 2022-2023 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.	<b>400</b>
D5	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.	<b>400</b>
D6	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.	<b>400</b>
D7	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.	<b>300</b>
D8	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.	<b>250</b>
D9	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.	<b>200</b>
D10	County Owned Land Inventory and Use Study	Compile a comprehensive inventory of all County owned land. Determine the responsibility and usage associated with each property.	<b>200</b>
D11	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.	<b>200</b>
D12	Special District Monitoring and Assistance	Provide ongoing monitoring and assistance to the County's various independent Special Districts.	<b>200</b>
D13	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.	<b>200</b>



D14	Lost and Stolen Property Monitoring and Reporting	Per the County's Fraud, Theft, and Loss Policy, all instances of lost and stolen property are to be immediately reported to the IA Division and Risk Management. Lost and stolen property reporting will be tracked throughout the year and an annual Lost and Stolen Property Report will be prepared for the BOS.	<b>200</b>
D15	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.	<b>100</b>
D16	General Ledger Transactions Testing	Review of automated transactions processed within the County's general ledger application (Financial Information Network; FIN) for accuracy and authorization.	<b>100</b>
D17	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.	<b>100</b>
D18	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.	<b>100</b>
D19	Cash Handling Compliance	Determine County Departments' compliance with the County's Cash Handling Guidelines. The IA Division will review existing practices of controlling cash receipts, accountability for cash, safeguarding of cash, timely deposits, and accurate record keeping.	<b>100</b>
D20	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.	<b>50</b>
<b>Administrative Activities</b>			
A1	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 officewise to Auditor-Controller staff.	<b>600</b>
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.	<b>300</b>



A3	Review and Update IA Procedures	IA procedures will be reviewed and updated accordingly to align with revisions made to IIA Standard 2040-Policies and Procedures.	<b>100</b>
A4	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.	<b>100</b>
		<b>TOTAL ESTIMATED AVAILABLE HOURS</b>	<b>9,080</b>

## IA Division Staff

### IA Division Staff Certifications

- IA Division Chief: Certified Public Accountant (CPA)
- IA Supervisor: CPA

### Staff Development

- IA Division Chief and Supervisor are 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 and CFE licensure