

Napa County

Auditor-Controller

Internal Audit Report

Self-Assessment Report
County of Napa
Internal Audit Section

For the Year Ended: June 30, 2019

Report Date: December 2, 2019

Audit Fieldwork Conclusion Date: October 29, 2019



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

Engagement Team

Karen Dotson, CPA
Audit Manager



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller
1195 Third Street · Room B10
Napa, CA 94559

Main: (707) 253-4551
Fax: (707) 226-9065
www.countyofnapa.org

Tracy A. Schulze
Auditor-Controller

December 2, 2019
Napa County Board of Supervisors

Executive Summary

The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an internal quality assessment of the Napa County internal audit activity must be conducted periodically in accordance with Standard 1311. We conducted the self-assessment during the month of October 2019 for the period of July 1, 2018 through June 30, 2019. We utilized the *Standards (Revised January 2017)* as well as the Institute of Internal Auditors *Quality Assessment Manual for the Internal Audit Activity (2017)* as the primary criteria for our evaluation.

Follow-up of External Assessment Observations – June 2019

The following is an update on the status of the observations described in External Assessment Report performed by Placer County and issued in June 2019.

➤ Gaps to Conformance

- ✓ Standard 2500 – Monitoring Progress – Establish and document clear follow-up processes to monitor the disposition of results communicated to management and the implementation of observations.

Management Response – We will incorporate documentation within our audit and monitoring engagements to indicate that follow-up procedures were performed. If follow-up is not necessary the reasons will be documented in the engagement file. In addition, if our recommendations were not implemented, the Board of Supervisors will be notified about the acceptance of risk and non-compliance by management.

Follow-up of External Assessment Observations – June 2019 (Continued)

➤ Gaps to Conformance (Continued)

Status – Follow-up engagements are calendared three months after the acceptance of the Board of Supervisors receiving the report. The completion of the follow-up or if the follow-up is not required is noted on the engagement's Assignment Control Form. A report format for presenting the status of the corrective actions required by the auditee has been established. In addition, the process of monitoring corrective actions will be added to the Internal Audit's Policies and Procedures.

➤ Opportunities for Continuous Improvement

- ✓ Standard 1311 – Internal Assessments – Continue to finalize the self-assessment and establish procedures for periodic assessments.

Management Response – We will complete the self-assessment report and provide the report to the Board of Supervisors by December 31, 2019. In addition, we will establish the requirement for annual self-assessments along with periodic client surveys to assist in the continuous improvement of internal audit services.

Status – The acceptance of this report will complete the task of the self-assessment report due to the Board by December 31, 2019. The requirement for self-assessments and periodic client surveys will be included in the Internal Audit's Policies and Procedures.

- ✓ Standard 1000 – Purpose, Authority, and Responsibility; and 2040 – Policies and Procedures – Establish procedures to review the Internal Audit Policy periodically and communicate changes to the Board of Supervisors. Additionally, complete all policies and procedures currently in draft format and have them reviewed and approved. Further, we recommend documenting procedures as they are developed.

Management Response – We will complete all policies and procedures currently in draft format within the 2019-20 fiscal year. Also, within our Internal Audit Procedures we will incorporate steps for yearly review of the Internal Audit Policy. We will communicate any changes of the Internal Audit Policy and Procedures to the Board of Supervisors when we present the status of the prior year engagements along with the request for approval of the annual audit plan.

Status – The Internal Audit Policy and Strategic Plan have been drafted and will be reviewed. The Internal Audit Procedures is currently being drafted and will be presented for review by the end of June. All documents will be presented to the Board of Supervisors for acceptance by the end of fiscal year 2019-20.

- ✓ Standard 2300 – Performing the Engagement – Engagements be completed in compliance with the applicable framework and should be conducted in such a manner to maintain quality assurance throughout the entire process.

Follow-up of External Assessment Observations – June 2019 (Continued)

➤ Opportunities for Continuous Improvement (Continued)

Management Response – During fiscal year 2017-18, we began documenting the sampling methodology and including in all work papers the purpose, procedure and conclusion of the testing and analysis that is performed. Also, criteria for additional testing is being documented within the work papers and the audit program.

We will continue to demonstrate oversight by having management sign off on the assignment control sheets.

At the beginning of fiscal year 2018-19, we established procedures to reference observations to the related work papers on draft reports. The reviewer will be able to easily verify observations noted in the report to the back-up documentation in the work papers

Status – A review of two different engagements completed during fiscal year 2018-19 was performed. One engagement included all the necessary elements required; however, the engagement performed quarterly in accordance with California Government Code Section 26920 lacked all the necessary requirements. Beginning in fiscal year 2019-20, the quarterly assurance engagement will be improved to reflect the necessary documentation.

- ✓ Standard 2340 – Engagement Supervision – Management should develop effective review processes to improve the engagement timeliness of review and report issuance to adequately meet reporting deadlines.

Management Response – Our goal is a quick and efficient turn around; however, on occasion other priorities take precedent. Management will continue to make every effort to prioritize timeliness of reviewing and issuing audit reports.

Status – A review of two different engagements completed at the beginning of fiscal year 2018-19 reflected a timely turn-around of the engagements.

Self-Assessment FY 2018-19

In conducting the self-assessment, there were no additional areas requiring improvement noted. The next assessment will be conducted in the Fall of 2020 for the fiscal year 2019-20.

Opinion as to Conformance with the *Standards*

It is our overall opinion that the internal audit activity generally conforms to the *Standards and Code of Ethics*. This means that policies, procedures and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity and proficiency of the internal audit activity. However, the quality assessment team identified opportunities for further improvement, details of which are provided in this report.

Objectives, Scope and Methodology

Objectives

- The principle objective of the quality assessment was to assess Internal Audit Division's (Division) conformance with the *Standards* and the Code of Ethics.
- We evaluated the Division's effectiveness in:
 - Carrying out its mission as set forth in the internal audit policy;
 - Identified successful internal audit practices demonstrated by the Internal Audit Division; and
 - Identified opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to the stakeholders.

Scope

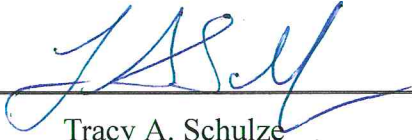
- The scope of the self-assessment included engagements completed during fiscal year 2018-19, as set forth in the internal audit charter and approved by the BOS, which defines the purpose, authority, and responsibility of the Division.
- The self-assessment was concluded on October 29, 2019, and provides senior management and the Board of Supervisors with information about the Division as of that date.
- The *Standards* were the basis for the quality assessment.

Methodology

- To accomplish the objectives,:
 - ✓ Policies, procedures and engagements were reviewed by the Internal Audit Division;
 - ✓ A sample of audit projects and associated work papers and reports were reviewed; and
 - ✓ Diagnostic tools consistent with the methodology established for a quality assessment in the *Quality Assessment Manual for the Internal Audit Activity* were prepared.

Conclusion

We will be pleased to respond to further questions concerning this report and furnish any desired information.



Tracy A. Schulze
Auditor-Controller

12/2/19

Date

Team Member:



Karen Dotson, CPA
Napa County Audit Manager

12-2-19

Date