



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 8/15/2017

Agenda Placement: 6P

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Tracy Schulze - Auditor-Controller  
Auditor - Controller  
**REPORT BY:** Karen Querin, Audit Manager - 707-253-4588  
**SUBJECT:** Fiscal Year 2017-18 Internal Audit Plan

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### **RECOMMENDATION**

Auditor-Controller requests the Board approve and instruct the Clerk of the Board to file the Internal Audit Plan for Fiscal Year 2017-18.

### **EXECUTIVE SUMMARY**

In accordance with sections 1111 and 2020 of the *International Standards for the Professional Practice of Internal Auditing* the Auditor-Controller is required to communicate the Internal Audit Plan to the Board of Supervisors and seek acceptance. The Internal Audit Plan includes a detailed list of engagements to be performed by the Auditor-Controller's Internal Audit staff during Fiscal Year 2017-18.

### **PROCEDURAL REQUIREMENTS**

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      No

**ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

**BACKGROUND AND DISCUSSION****Audit Plan FY 17/18**

In accordance with sections 1111 and 2020 of the Standards, the Auditor-Controller is required to communicate the Internal Audit Plan to the Board of Supervisors and seek their approval of the plan. Accordingly, staff is requesting approval of the following plan which would be completed by June 30, 2018:

**County-Wide Engagements**

- | Capital Assets Observation (Follow up)
- | Employee Reimbursements - Policy Compliance
- | Computer Purchases – Authorization Process and Approvals
- | Procurement Card Monitoring

**Quarterly Monitoring**

- | Napa-Vallejo Waste Management Authority - Devlin Road Transfer Station Contractor
- | Napa County Housing Agency – Farm Worker Centers Operations Contractor

**Other Tasks**

- | Nine Transient Occupancy Tax Audits
- | Two District Attorney's Grant Fund Audits
- | Clerk-Recorder's – Social Security Truncation Audit
- | Treasurer's Quarterly Cash Counts
- | Rate Reviews for three Solid Waste Hauling Contracts
- | Revolving Fund Monitoring
- | Donation Reporting - Policy Compliance

The completion of the above plan is contingent upon additional tasks of higher risk or priority being assigned during the fiscal year as well as maintaining the current staffing level.

**Summary of FY 16/17 Audits**

See attached for a Summary of the FY 16/17 Audits.

**Status of Independence**

The majority of the engagements performed by the Auditor-Controller's Internal Audit staff are performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Standards). In accordance with Standards, specifically attribute standard 1100 – Independence and Objectivity; the internal audit activity must be independent, and internal auditors must be objective in performing their work. This is interpreted by

the standard as follows:

*Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.*

*Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.*

The Auditor-Controller is considered to be independent in accordance with the Standards with the exception of the claims processed for the expenses incurred by the Auditor-Controller's Office. Employee's of the Auditor-Controller's Office involved in engagements performed internally are required to evaluate and certify their independence based on the proposed audit plan for the up coming fiscal year. All certifications were completed by July 31, 2017.

#### **SUPPORTING DOCUMENTS**

A . Audit Plan and Summary of Prior Year Audits

CEO Recommendation: Approve

Reviewed By: Bret Prebula