



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 8/27/2019

Agenda Placement: 6M

## 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 Dotson, Audit Manager - 707-253-4588  
**SUBJECT:** Fiscal Year 2019-20 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 2019-20 and accept the summary report of internal audit activity for Fiscal Year 2018-19.

### **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 2019-20. Also attached is a summary report of the internal audit activity from Fiscal Year 2018-19 for informational purposes, along with the results of the annual Procurement Card monitoring completed within that year.

### **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**

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 their approval of the plan. Internal audits evaluate an organization's management of risk. All organizations face risk, but the key to a successful organization is how those risks are managed and mitigated. Internal controls and policy compliance are two important areas where risks can be mitigated. The internal auditing team consists of professional staff, under direction of the Auditor-Controller, that have the skills and knowledge necessary to evaluate and audit records and systems to ensure that controls are in place and that policies are being followed. These staff are required each year to complete 40 hours of continuing education to remain current on auditing standards and best practices, including the identification of high risk areas that could potentially result in fraud or misuse of public funds.

Accordingly, staff is requesting approval of the following plan which would be completed by June 30, 2020:

**Audit Plan Fiscal Year 2019-20**

County-Wide Engagements – The overall purpose of conducting a county-wide audit is to not focus on one specific department's performance, rather determine if it is a county-wide issue. Basically, if any one department indicates high errors and high risk which could be due to improper or lack of training, turnover of key staff, or simply not complying, that would trigger a follow-up departmental audit. Results may also identify if a policy is no longer current or accurate, due to changes in technology, best practices, related policies that have changed, or new regulations or legislation.

To be initiated and/or completed in fiscal year 2019-20:

- | Annual procurement card procedure compliance monitoring
- | Authorization and approval of Vendor ACH (electronic) payment process

In progress from prior year, to be completed in fiscal year 2019-20:

- | Security role review within the County's PeopleSoft Financial System
- | Authorization and approval process of County Computer purchases
- | Vehicle usage of County-owned vehicles
- | Authorization and approval process of recurring wire transfers completed by the County Treasurer

**Contracted Services**

- | On behalf of Napa-Vallejo Waste Management Authority – Quarterly monitoring of Devlin Road Transfer Station contractor
- | On behalf of Napa County Housing Authority – Quarterly monitoring of County Farm Worker Centers operating contractor
- | On behalf of Upper Valley Waste Management Agency - Annual review solid waste hauling contract compliance and rate review

**Other Engagements**

- | Annual rate review of Napa County Zone 1 Garbage and Berryessa Garbage Service

- | Departmental internal control audits (upon request or outcome of risk assessment)
- | Treasurer's quarterly cash counts
- | Revolving fund monitoring
- | Policy compliance on County-wide donation reporting
- | Peer Review of Solano County's Internal Audit Division

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. In addition, we continue to work with Department Heads and the CEO office to determine specific departmental audits as resources allow. We also encourage Board of Supervisors input if there is an area of concern.

### **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, 2019.

### **Summary of Fiscal Year 2018-19 Audits**

For informational purposes, attached is a memo from the Auditor-Controller summarizing engagements completed or in progress during fiscal year 2018-19.

### **SUPPORTING DOCUMENTS**

A . Summary of Internal Audits for Fiscal Year 2018-19

CEO Recommendation: Approve

Reviewed By: Helene Franchi