



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 8/9/2016

Agenda Placement: 6Q

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors

FROM: Tracy Schulze - Auditor-Controller
Auditor - Controller

REPORT BY: Karen Querin, Audit Manager - 707-253-4588

SUBJECT: Fiscal Year 2016-17 Internal Audit Plan

RECOMMENDATION

Auditor-Controller requests the Board to approve and instruct the Clerk of the Board to file the Internal Audit Plan for Fiscal Year 2016-17.

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 approval. The Internal Audit Plan includes a detailed list of engagements to be performed by the Auditor-Controller's Internal Audit staff during fiscal year 2016-17.

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 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, 2017:

- | Three County-wide Audits
- | Three Solid Waste Rate Reviews
- | Four Quarterly Engagements for Napa-Vallejo Waste Management Authority
- | Four Monitoring of Cash Receipts for Napa County Housing Authority
- | Ten Reviews of Special District and Joint Power Agency Audits
- | Four Quarterly Cash Counts of the Treasurer-Tax Collector
- | Two Grant Audits
- | Continuous Monitoring of County Procurement Card Transactions
- | County-wide Physical Asset Inventory
- | Monthly Monitoring of Zone One Lock Box Disbursements

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.

County-Wide Audits

The Auditor-Controller will conduct three County-wide internal control and financial procedure engagements. These engagements will look at overall compliance with policies and procedures to determine if county-wide education or outreach is needed and if the procedure or policy is up to date with current practices. These audits may also result in recommendations of revisions to current procedures and/or policies. The planned audits include:

- | Employee Reimbursements;
- | Contracts; and
- | Purchase Orders

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 the 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 before July 31, 2016.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Molly Rattigan