

079 - INTERNAL AUDIT

Operational Summary

Mission:

The mission of the Internal Audit Department (IAD) is to provide highly reliable, independent, objective evaluations and business and financial advisory services to the Board of Supervisors and County management to assist them with their important business and financial decisions, and to protect and safeguard the County's resources and assets.

Strategic Goals:

- Assist the Board of Supervisors and County management in ensuring the County's assets and resources are safeguarded; the County's accounting and financial reporting is timely and accurate, the County's management has timely information and critical analysis for its business and economic decisions.
- Provide professional attestation, assurance and confidence to our clientele on the County's internal controls, accounting records and its financial and business operations through our published audit reports and reviews.

Key Outcome Indicators:

Performance Measure	2002 Business Plan Results	2003 Business Plan Target	How are we doing?
DEFALCATIONS OF COUNTY RESOURCES. What: Misappropriation of County funds and cash losses. Why: Misappropriation of funds bring on bad publicity and weaken public confidence in County operations.	This is a new indicator.	The County will not have misappropriation of funds or cash losses exceeding \$50,000.	The County did not have a misappropriation of funds or cash losses exceeding \$50,000 last year.
USEFULNESS OF OUR REPORTS AND CLIENT SATISFACTION. What: IAD performs audits that are helpful to clients. Why: Lets us know we are adding value and fulfilling a need.	This is a new indicator.	70% of clients report the audits are helpful.	Last year a high percentage of clients reported they received information that was helpful to them in safeguarding the County's assets and making business decisions.

Fiscal Year FY 2002-2003 Key Project Accomplishments:

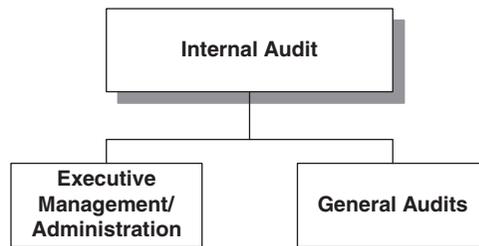
- Department Control Reviews (DCR): Internal Audit completed all DCRs scheduled and budgeted in our 2002 Audit Plan. The DCRs focused primarily on internal control reviews of cash receipts and cash disbursements.
- Department Control Review Follow-Ups: During 2002, Internal Audit implemented its "post follow-up" review processes, where we follow-up a second time with departments/agencies to ensure any audit recommendations that were not implemented in the initial follow-up audit have been fully implemented.

At a Glance:

Total FY 2002-2003 Actual Expenditure + Encumbrance:	1,881,921
Total Final FY 2003-2004 Budget:	2,202,653
Percent of County General Fund:	0.09%
Total Employees:	22.00

- **Attestation Services & Mandates (ASM):** All year-end financial and mandated audits listed in the Audit Plan were completed on schedule, except for the Annual Treasury Investment Compliance Review at 12/31/01. The Treasury Funds Audits for quarter ending 12/31/01, 03/31/02, 06/30/02 and 09/31/02; and the Probation Audit for two years ending 06/30/01 were completed.
- **Information Technology (IT) Audits:** At the request of the Audit Oversight Committee (AOC), Internal Audit added a new category of audits (Integrated Audits). IT Audits specifically focuses on issues in the County Comprehensive Accounting and Personnel System (CAPS). To meet this request, we provided training to the audit staff to prepare them for the Certified Information Systems Auditor Exam. We had an extremely high pass rate of 80%, and eleven auditors passing the exam.
- Within IT audits, Internal Audit implemented Computer-Assisted Auditing Techniques (CAAT). We are using a proprietary software tool and have developed a toolset of computer-routines that will look for unusual data patterns in the individual data elements of the County's financial data on CAPS.
- Two auditors submitted their Form E (Experience) package to the State of Accounting to receive the Certified Public Accountant (CPA) credential. The packages were accepted and the CPA licenses were granted.
- Eleven auditors passed the Certified Information Systems Auditor (CISA) examination and two auditors met the experience requirements and received their CISA credentials. One auditor passed the (CIA) examination and received the CIA credential.

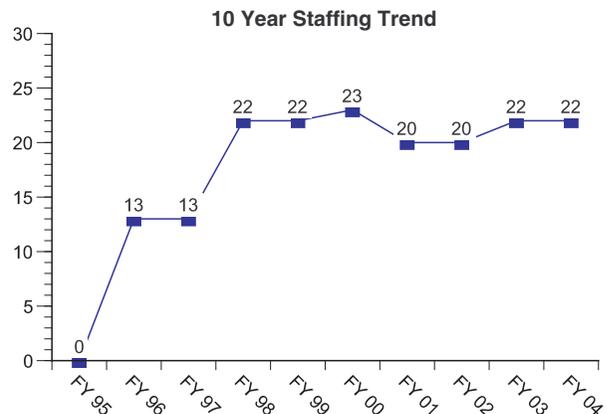
Organizational Summary



EXECUTIVE MANAGEMENT - The Executive Management/Administration team provides fiscal management, procurement and human resources, system security and technical services support, leadership, management oversight and direction to Internal Audit function.

GENERAL AUDITS - This is the core function of the department and consists of sixteen professional audit staff.

Ten Year Staffing Trend:



Ten Year Staffing Trend Highlights:

- The Internal Audit Department was established as a separate department independent of the County Auditor-Controller by Board Resolution dated April 25, 1995. Arthur Andersen L.L.P. was contracted at that time by the County to manage the Internal Audit function until a permanent director could be recruited. In 1997, a director was appointed and eight additional positions were added; in 1999 one Staff Analyst position was added; in 2000, two positions were eliminated in the Information Systems Auditing function and outsourced to consultants; additionally, two Auditor II positions were exchanged for one Senior Auditor I. In 2001, two

auditor positions were added for integrated audits of specifically focused issues in the County's Comprehensive Accounting and Personnel System.

Budget Summary

Plan for Support of the County's Strategic Priorities:

Internal Audit, through its Business Plan, is aligned with the County's strategic priorities and assists in their accomplishment.

Final Budget and History:

Sources and Uses	FY 2001-2002 Actual Exp/Rev	FY 2002-2003 Budget As of 6/30/03	FY 2002-2003 Actual Exp/Rev ⁽¹⁾ At 6/30/03	FY 2003-2004 Final Budget	Change from FY 2002-2003 Actual	
					Amount	Percent
Total Positions	-	22	22	22	0	0.00
Total Revenues	174,733	128,022	38,278	42,240	3,962	10.35
Total Requirements	1,727,920	2,230,178	1,902,058	2,202,653	300,595	15.80
Net County Cost	1,553,187	2,102,156	1,863,780	2,160,413	296,633	15.92

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2002-03 Actual Expenditure + Encumbrance included in the "At a Glance" section.

Detailed budget by expense category and by activity is presented for agency: Internal Audit in the Appendix on page 505.

Highlights of Key Trends:

- The key trend we are currently monitoring is the fiscal impact the State's budget deficit has on the County. We expect, as the cutbacks in program funding occur, the County will have to adjust programs and overhead downward to match the lower level of funding being provided. When such reductions are made in response to reduced funding, internal controls usually deteriorate

because critical processes or individuals have been cut. Consequently, in performing the annual risk assessment the evaluation of risk is raised because of how the County must react to reduced funding provided by the State. In addition, business plans to implement new systems within a fixed budget and time-frame are stressed by the uncertainty of funding.

Budget Units Under Agency Control

No.	Agency Name	Executive Management	General Audits	Total
079	Internal Audit	679,294	1,523,359	2,202,653
	Total	679,294	1,523,359	2,202,653

