

## 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.

#### At a Glance:

Total FY 2003-2004 Actual Expenditure + Encumbrance:	2,048,674
Total Final FY 2004-2005 Budget:	2,374,856
Percent of County General Fund:	0.10%
Total Employees:	22.00

#### 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:

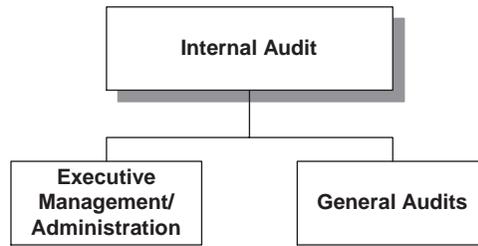
Performance Measure	2003 Business Plan Results	2004 Business Plan Target	How are we doing?
<b>DEFALCATIONS OF COUNTY RESOURCES.</b> <b>What:</b> Misappropriation of County funds and cash losses. <b>Why:</b> Misappropriation of funds bring on bad publicity and weaken public confidence in County operations.	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.
<b>USEFULNESS OF OUR REPORTS AND CLIENT SATISFACTION.</b> <b>What:</b> IAD performs audits that are helpful to clients. <b>Why:</b> 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.

#### FY 2003-2004 Key Project Accomplishments:

- During 2003, Internal Audit completed all audit goals for our core audit activity in departmental control reviews, attestation services and mandates, information technology, control self-assessment, and compliance. We also performed eight special request in the following departments: Planning Development Services Department, County Executive Office, Health Care Agency, Public Administrator/Public Guardian, and Public Facilities and Resources Department.

- We expanded our risk assessment process to include discussions with executive management of County department/agencies and the CEO. Additionally, we completed the following seven IT goals: compilation of a Countywide key IT systems inventory; distribution of a comprehensive IT self-assessment questionnaire; audit of internal controls for the Auditor-Controller's laser check printing process; systems implementation review of IWMD's new fee collection/accounts receivable system; assist on IT components of the 12/31/02 Treasury Funds Audit; perform computer assisted audit techniques (CAAT's); and submitted a draft update to Auditor-Controller's CAP#34 procedure.

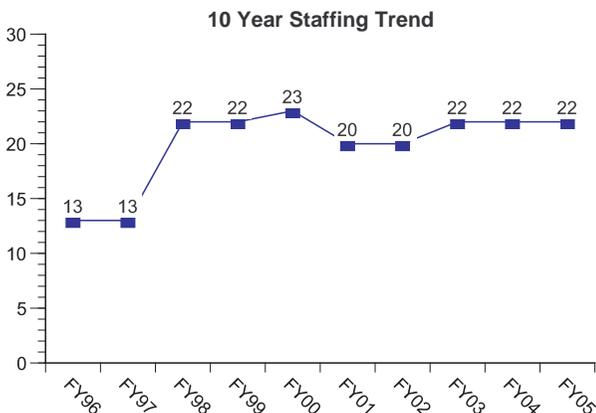
## Organizational Summary



**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.

## Approved Budget Augmentations and Related Performance Results:

Unit/Amount	Description	Performance Plan	Ref. Num.
<b>Restore Level of Service for Audit Consultant Services (FY 04-05)</b> Amount:\$ 73,143	Restores funding for critical audit areas such as information technology and special Board requests.	To meet the commitments of the annual Audit Plan.	079-467

## Final Budget and History:

Sources and Uses	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Total Positions	-	22	22	22	0	0.00
Total Revenues	38,278	42,240	35,575	88,800	53,225	149.62
Total Requirements	1,902,058	2,274,653	2,081,137	2,374,856	293,719	14.11
Net County Cost	1,863,780	2,232,413	2,045,562	2,286,056	240,494	11.76

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 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 Internal Audit Department is adjusting its annual Audit Plan to assist County management in addressing the impact of budget reductions as a result of state defi-

cits. The County will have to modify business processes to do more with fewer resources and the role of Internal Audit in such an environment will be to ensure prudent internal control processes are maintained.

## Budget Units Under Agency Control

No.	Agency Name	Executive Management	General Audits	Total
079	Internal Audit	675,997	1,698,859	2,374,856
	Total	675,997	1,698,859	2,374,856

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### Summary of Final Budget by Revenue and Expense Category:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Charges For Services	\$ 37,616	\$ 42,240	\$ 35,328	\$ 88,800	\$ 53,472	151.36%
Miscellaneous Revenues	662	0	247	0	(247)	-100.00
<b>Total Revenues</b>	<b>38,278</b>	<b>42,240</b>	<b>35,575</b>	<b>88,800</b>	<b>53,225</b>	<b>149.62</b>
Salaries & Benefits	1,736,592	2,050,259	2,012,957	2,015,523	2,566	0.13
Services & Supplies	275,091	387,944	209,995	459,803	249,808	118.96
Intrafund Transfers	(109,625)	(163,550)	(141,815)	(100,470)	41,345	-29.15
<b>Total Requirements</b>	<b>1,902,058</b>	<b>2,274,653</b>	<b>2,081,137</b>	<b>2,374,856</b>	<b>293,719</b>	<b>14.11</b>
<b>Net County Cost</b>	<b>\$ 1,863,780</b>	<b>\$ 2,232,413</b>	<b>\$ 2,045,562</b>	<b>\$ 2,286,056</b>	<b>\$ 240,494</b>	<b>11.76%</b>

(1) Amounts include prior year expenditures and exclude current year encumbrances. Therefore, the totals listed above may not match Total FY 2003-04 Actual Expenditure + Encumbrance included in the "At a Glance" section.

### Final Budget Summary of Executive Management:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Miscellaneous Revenues	\$ 462	\$ 0	\$ 146	\$ 0	\$ (146)	-100.00%
<b>Total Revenues</b>	<b>462</b>	<b>0</b>	<b>146</b>	<b>0</b>	<b>(146)</b>	<b>-100.00</b>
Salaries & Benefits	586,874	601,671	647,473	598,288	(49,185)	-7.60
Services & Supplies	128,656	101,046	103,916	77,709	(26,207)	-25.22
<b>Total Requirements</b>	<b>715,530</b>	<b>702,717</b>	<b>751,389</b>	<b>675,997</b>	<b>(75,392)</b>	<b>-10.03</b>
<b>Net County Cost</b>	<b>\$ 715,068</b>	<b>\$ 702,717</b>	<b>\$ 751,243</b>	<b>\$ 675,997</b>	<b>\$ (75,246)</b>	<b>-10.02%</b>

### Final Budget Summary of General Audits:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Charges For Services	\$ 37,616	\$ 42,240	\$ 35,328	\$ 88,800	\$ 53,472	151.36%
Miscellaneous Revenues	200	0	100	0	(100)	-100.00
<b>Total Revenues</b>	<b>37,816</b>	<b>42,240</b>	<b>35,428</b>	<b>88,800</b>	<b>53,372</b>	<b>150.65</b>
Salaries & Benefits	1,149,718	1,448,588	1,365,484	1,417,235	51,751	3.79
Services & Supplies	146,435	286,898	106,079	382,094	276,015	260.20
Intrafund Transfers	(109,625)	(163,550)	(141,815)	(100,470)	41,345	-29.15
<b>Total Requirements</b>	<b>1,186,528</b>	<b>1,571,936</b>	<b>1,329,748</b>	<b>1,698,859</b>	<b>369,111</b>	<b>27.76</b>
<b>Net County Cost</b>	<b>\$ 1,148,712</b>	<b>\$ 1,529,696</b>	<b>\$ 1,294,320</b>	<b>\$ 1,610,059</b>	<b>\$ 315,739</b>	<b>24.39%</b>



### Final Budget Summary of Administration:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Licenses, Permits & Franchises	\$ 75,497	\$ 94,162	\$ 64,158	\$ 96,690	\$ 32,532	50.71%
Charges For Services	10,350,513	14,984,932	8,900,325	15,818,561	6,918,236	77.73
Miscellaneous Revenues	61,233	50,000	86,340	50,000	(36,340)	-42.09
Other Financing Sources	68,070	80,000	3,094	80,000	76,906	2,485.76
<b>Total Revenues</b>	<b>10,555,313</b>	<b>15,209,094</b>	<b>9,053,916</b>	<b>16,045,251</b>	<b>6,991,335</b>	<b>77.22</b>
Salaries & Benefits	7,615,349	7,900,355	7,435,734	7,916,608	480,874	6.47
Services & Supplies	5,487,217	7,819,401	4,705,831	8,832,143	4,126,312	87.69
Other Charges	3,165	10,000	3,917	10,000	6,083	155.27
Fixed Assets	299,485	582,000	44,472	395,500	351,028	789.33
Intrafund Transfers	(2,432,653)	(1,109,000)	(2,240,184)	(1,109,000)	1,131,184	-50.50
<b>Total Requirements</b>	<b>10,972,563</b>	<b>15,202,756</b>	<b>9,949,771</b>	<b>16,045,251</b>	<b>6,095,480</b>	<b>61.26</b>
<b>Net County Cost</b>	<b>\$ 417,250</b>	<b>\$ (6,338)</b>	<b>\$ 895,855</b>	<b>\$ 0</b>	<b>\$ (895,855)</b>	<b>-100.00%</b>

### Final Budget Summary of Harbors, Beaches, And Parks:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Charges For Services	\$ 880,925	\$ 650,000	\$ 697,041	\$ 670,000	\$ (27,041)	-3.88%
Miscellaneous Revenues	1,145	0	0	0	0	0.00
Other Financing Sources	0	0	3,613	0	(3,613)	-100.00
<b>Total Revenues</b>	<b>882,070</b>	<b>650,000</b>	<b>700,654</b>	<b>670,000</b>	<b>(30,654)</b>	<b>-4.38</b>
Salaries & Benefits	528	0	363	0	(363)	-100.00
Services & Supplies	770,478	650,000	865,761	670,000	(195,761)	-22.61
Intrafund Transfers	0	0	0	0	0	0.00
<b>Total Requirements</b>	<b>771,006</b>	<b>650,000</b>	<b>866,124</b>	<b>670,000</b>	<b>(196,124)</b>	<b>-22.64</b>
<b>Net County Cost</b>	<b>\$ (111,064)</b>	<b>\$ 0</b>	<b>\$ 165,470</b>	<b>\$ 0</b>	<b>\$ (165,470)</b>	<b>-100.00%</b>

### Final Budget Summary of Internal Services:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Licenses, Permits & Franchises	\$ 6,111	\$ 0	\$ 4,021	\$ 0	\$ (4,021)	-100.00%
Revenue From Use Of Money And Property	886	920	449	920	471	104.92
Charges For Services	3,838,479	5,536,569	5,864,139	6,349,715	485,576	8.28
Miscellaneous Revenues	(13)	500	384,096	500	(383,596)	-99.87
Other Financing Sources	0	0	9,960	0	(9,960)	-100.00
<b>Total Revenues</b>	<b>3,845,463</b>	<b>5,537,989</b>	<b>6,262,665</b>	<b>6,351,135</b>	<b>88,470</b>	<b>1.41</b>
Salaries & Benefits	9,313,702	12,072,000	11,891,641	12,790,801	899,160	7.56
Services & Supplies	6,479,368	8,319,590	6,043,480	8,258,277	2,214,797	36.65
Fixed Assets	12,643	196,300	21,886	88,527	66,641	304.49



### Final Budget Summary of Internal Services:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Other Financing Uses	0	86,327	45,889	0	(45,889)	-100.00
Intrafund Transfers	(3,246,055)	(4,509,525)	(3,528,785)	(4,536,714)	(1,007,929)	28.56
<b>Total Requirements</b>	<b>12,559,658</b>	<b>16,164,692</b>	<b>14,474,110</b>	<b>16,600,891</b>	<b>2,126,781</b>	<b>14.69</b>
<b>Net County Cost</b>	<b>\$ 8,714,195</b>	<b>\$ 10,626,703</b>	<b>\$ 8,211,445</b>	<b>\$ 10,249,756</b>	<b>\$ 2,038,311</b>	<b>24.82%</b>

### Final Budget Summary of Watershed & Coastal Resources:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Charges For Services	\$ 33,369	\$ 0	\$ 42,795	\$ 0	\$ (42,795)	-100.00%
Other Financing Sources	0	0	1,751	0	(1,751)	-100.00
<b>Total Revenues</b>	<b>33,369</b>	<b>0</b>	<b>44,546</b>	<b>0</b>	<b>(44,546)</b>	<b>-100.00</b>
Services & Supplies	43,138	0	55,377	0	(55,377)	-100.00
Intrafund Transfers	(28,701)	0	(33,202)	0	33,202	-100.00
<b>Total Requirements</b>	<b>14,437</b>	<b>0</b>	<b>22,174</b>	<b>0</b>	<b>(22,174)</b>	<b>-100.00</b>
<b>Net County Cost</b>	<b>\$ (18,932)</b>	<b>\$ 0</b>	<b>\$ (22,372)</b>	<b>\$ 0</b>	<b>\$ 22,372</b>	<b>-100.00%</b>

### Final Budget Summary of Public Works:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Licenses, Permits & Franchises	\$ 2,010	\$ 1,500	\$ 5,375	\$ 1,500	\$ (3,875)	-72.09%
Revenue From Use Of Money And Property	47,686	46,730	48,548	46,730	(1,818)	-3.75
Charges For Services	5,533,926	6,008,402	5,384,533	6,332,969	948,436	17.61
Miscellaneous Revenues	14,992	20,000	21,813	20,000	(1,813)	-8.31
Other Financing Sources	0	10,000	37,662	10,000	(27,662)	-73.45
<b>Total Revenues</b>	<b>5,598,614</b>	<b>6,086,632</b>	<b>5,497,931</b>	<b>6,411,199</b>	<b>913,268</b>	<b>16.61</b>
Salaries & Benefits	1,801,815	1,996,159	1,903,477	2,106,070	202,593	10.64
Services & Supplies	3,837,324	4,103,973	3,790,677	4,286,629	495,952	13.08
Fixed Assets	0	95,000	0	71,500	71,500	0.00
Intrafund Transfers	(71,306)	(53,500)	(47,507)	(53,000)	(5,493)	11.56
<b>Total Requirements</b>	<b>5,567,833</b>	<b>6,141,632</b>	<b>5,646,647</b>	<b>6,411,199</b>	<b>764,552</b>	<b>13.54</b>
<b>Net County Cost</b>	<b>\$ (30,782)</b>	<b>\$ 55,000</b>	<b>\$ 148,716</b>	<b>\$ 0</b>	<b>\$ (148,716)</b>	<b>-100.00%</b>

### Final Budget Summary of Agricultural Commissioner:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Licenses, Permits & Franchises	\$ 413,237	\$ 480,600	\$ 454,301	\$ 483,200	\$ 28,900	6.36%
Fines, Forfeitures & Penalties	27,233	13,000	17,595	13,000	(4,595)	-26.12
Intergovernmental Revenues	3,293,079	4,324,776	2,097,545	1,507,417	(590,128)	-28.13
Charges For Services	492,065	455,947	370,388	556,751	186,363	50.32

### Final Budget Summary of Agricultural Commissioner:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Miscellaneous Revenues	1,171	4,000	1,621	4,000	2,379	146.73
<b>Total Revenues</b>	4,226,785	5,278,323	2,941,450	2,564,368	(377,082)	-12.82
Salaries & Benefits	2,546,693	2,941,084	2,764,831	2,983,332	218,501	7.90
Services & Supplies	2,426,790	4,167,741	1,835,515	769,255	(1,066,260)	-58.09
Other Charges	125,000	125,000	125,000	0	(125,000)	-100.00
Fixed Assets	36,997	65,000	59,654	65,000	5,346	8.96
Intrafund Transfers	(194)	0	(1,492)	0	1,492	-100.00
<b>Total Requirements</b>	5,135,286	7,298,825	4,783,507	3,817,587	(965,920)	-20.19
<b>Net County Cost</b>	\$ 908,501	\$ 2,020,502	\$ 1,842,057	\$ 1,253,219	\$ (588,838)	-31.97%

### Final Budget Summary of Planning:

Revenues/Appropriations	FY 2002-2003 Actual Exp/Rev	FY 2003-2004 Budget As of 6/30/04	FY 2003-2004 Actual Exp/Rev <sup>(1)</sup> At 6/30/04	FY 2004-2005 Final Budget	Change from FY 2003-2004 Actual	
					Amount	Percent
Services & Supplies	\$ 132	\$ 0	\$ 0	\$ 0	\$ 0	0.00%
<b>Total Requirements</b>	132	0	0	0	0	0.00
<b>Net County Cost</b>	\$ 132	\$ 0	\$ 0	\$ 0	\$ 0	0.00%