

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	2004 Business Plan Results	2005 Business Plan Target	How are we doing?
DEFALCATIONS OF COUNTY RESOURCES. What: Defalcation of County funds and cash losses in County departments or agencies. Why: Defalcation of funds bring on bad publicity and weaken public confidence in County operations.	The County should not have a defalcation or reported cash loss exceeding \$50,000.	The County will not have defalcation of funds or cash losses exceeding \$50,000.	The County did not have a defalcation of funds or cash losses exceeding \$50,000 last year.
USEFULNESS OF OUR REPORTS AND CLIENT SATISFACTION. What: Measures the value of our report product by the implementation of recommendations. Why: Provides clients with information on safeguarding County's assets and making business decisions.	With few exceptions, we expect management to implement IAD control recommendations. Overall IAD anticipates positive customer feed back.	Maintain Follow Up report status for Quarterly AOC meetings and maintain customer surveys and high-level satisfaction rating.	With few exceptions, our control recommendations were addressed by management and implemented.

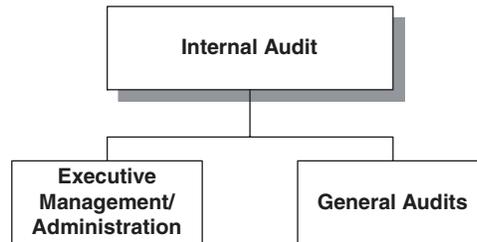
FY 2004-05 Key Project Accomplishments:

- During 2004, 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 two special requests in the following departments: Superior Court-Domestic Violence Revenues and County Executive Office's new Cell Phone Guidelines.



- In addition we successfully passed two Peer Reviews based on the IIA standards and Government Auditing Standards (Yellow Book). The peer review firms found the Internal Audit Department to be in compliance with professional standards. The peer review firms also reported no material weaknesses or reportable conditions (i.e. they had no findings). The Comptroller General of the United States in their published Government Auditing Standards requires that a peer review be conducted once every three years.

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 Countywide Accounting and Personnel System (CAPS).

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.

Requested Budget Augmentations and Related Performance Results:

Unit Amount	Description	Performance Plan	Brass Ser.
INCREASE APPROPRIATIONS TO MAINTAIN CURRENT LEVEL OF AUDIT SERVICES Amount: \$ 238,480	Restores funding for critical audit areas such as information technology and special Board requests.	Maintain current level of audit services and complete the annual audit plan.	1921

Proposed Budget History:

Sources and Uses	FY 2003-2004	FY 2004-2005	FY 2004-2005	FY 2005-2006	Change from FY 2004-2005	
	Actual	Budget As of 3/31/05	Projected ⁽¹⁾ At 6/30/05	Recommended	Projected Amount	Projected Percent
Total Positions	-	22	22	22	0	0.00
Total Revenues	35,575	88,800	98,442	37,440	(61,002)	-61.96
Total Requirements	2,081,137	2,374,856	2,281,874	2,367,853	85,979	3.76
Net County Cost	2,045,562	2,286,056	2,183,432	2,330,413	146,981	6.73

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Detailed budget by expense category and by activity is presented for agency: Internal Audit in the Appendix on page page 542

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. In addition, we will evaluate the effect of retirements on internal controls and issues of economy and efficiency.

Budget Units Under Agency Control:

No.	Agency Name	Executive Management	General Audits	Total
079	Internal Audit	715,407	1,652,446	2,367,853
	Total	715,407	1,652,446	2,367,853



079 - Internal Audit

Summary of Proposed Budget by Revenue and Expense Category:

Revenues/Appropriations	FY 2003-2004		FY 2004-2005		FY 2005-2006		Change from FY 2004-2005	
	Actual	Budget	Projected ⁽¹⁾	As of 6/30/05	Recommended	Projected	Amount	Percent
Charges For Services	\$ 35,328	\$ 88,800	\$ 98,072	\$ 98,072	\$ 37,440	\$ (60,632)	-61.82%	
Miscellaneous Revenues	247	0	370	370	0	(370)	-100.00	
Total Revenues	35,575	88,800	98,442	98,442	37,440	(61,002)	-61.96	
Salaries & Benefits	2,012,957	2,015,523	2,038,794	2,038,794	2,147,783	108,989	5.34	
Services & Supplies	209,995	459,803	343,550	343,550	373,680	30,130	8.77	
Intrafund Transfers	(141,815)	(100,470)	(100,470)	(100,470)	(153,610)	(53,140)	52.89	
Total Requirements	2,081,137	2,374,856	2,281,874	2,281,874	2,367,853	85,979	3.76	
Net County Cost	\$ 2,045,562	\$ 2,286,056	\$ 2,183,432	\$ 2,183,432	\$ 2,330,413	\$ 146,981	6.73%	

(1) Requirements include prior year encumbrance and expenditures. Therefore, the above totals may not match FY 2004-05 projected requirements included in "At a Glance" (Which exclude these).

Proposed Budget Summary of Executive Management:

Revenues/Appropriations	FY 2003-2004		FY 2004-2005		FY 2005-2006		Change from FY 2004-2005	
	Actual	Budget	Projected ⁽¹⁾	As of 6/30/05	Recommended	Projected	Amount	Percent
Miscellaneous Revenues	\$ 146	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00%	
Total Revenues	146	0	0	0	0	0	0.00	
Salaries & Benefits	647,473	598,288	663,330	663,330	617,044	(46,286)	-6.97	
Services & Supplies	103,916	77,709	108,846	108,846	98,363	(10,483)	-9.63	
Total Requirements	751,389	675,997	772,176	772,176	715,407	(56,769)	-7.35	
Net County Cost	\$ 751,243	\$ 675,997	\$ 772,176	\$ 772,176	\$ 715,407	\$ (56,769)	-7.35%	

Proposed Budget Summary of General Audits:

Revenues/Appropriations	FY 2003-2004		FY 2004-2005		FY 2005-2006		Change from FY 2004-2005	
	Actual	Budget	Projected ⁽¹⁾	As of 6/30/05	Recommended	Projected	Amount	Percent
Charges For Services	\$ 35,328	\$ 88,800	\$ 98,072	\$ 98,072	\$ 37,440	\$ (60,632)	-61.82%	
Miscellaneous Revenues	100	0	370	370	0	(370)	-100.00	
Total Revenues	35,428	88,800	98,442	98,442	37,440	(61,002)	-61.96	
Salaries & Benefits	1,365,484	1,417,235	1,375,464	1,375,464	1,530,739	155,275	11.28	
Services & Supplies	106,079	382,094	234,704	234,704	275,317	40,613	17.30	
Intrafund Transfers	(141,815)	(100,470)	(100,470)	(100,470)	(153,610)	(53,140)	52.89	
Total Requirements	1,329,748	1,698,859	1,509,698	1,509,698	1,652,446	142,748	9.45	
Net County Cost	\$ 1,294,320	\$ 1,610,059	\$ 1,411,256	\$ 1,411,256	\$ 1,615,006	\$ 203,750	14.43%	