

# ADMINISTRATIVE PROCEDURES



Procedure Number: 3-23

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*C. Dubelton*  
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Administrator

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SUBJECT: **INTERNAL AUDIT**

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DEPARTMENT RESPONSIBLE: **Finance and Risk Management**

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## 1. **PURPOSE**

This Administrative Procedure sets forth the process for internal audits performed by Finance and Risk Management. Audits for all County Departments will be conducted according to a predetermined schedule, which will be determined on the basis of risk analysis. County-wide, operational, system, and financial audits will also be conducted when requested by County management.

Internal audits are to be an independent review function to examine and evaluate County activities as a service to the Board of Supervisors and County management. Internal Audit shall report to the Director of Finance and Risk Management. In carrying out their duties and responsibilities, members of Internal Audit will have full, free, and unrestricted access to all County activities, records, property, and personnel.

## 2. **BACKGROUND**

The primary objectives of Internal Audit is to assist the Board of Supervisors and County management in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analysis, recommendations, and information concerning the activities reviewed.

## 3. **INTERNAL AUDIT**

Internal Auditors will perform the following functions:

- 3.1. Review selected activities of departments within the County at planned intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with Board of Supervisors' and County management's instructions, policies, and procedures, and in a manner consistent with both County objectives and high standards of administrative practice.

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- 3.2. Determine the adequacy and effectiveness of the County's systems of internal accounting, administrative, and operating controls.
  - 3.3. Review the reliability and integrity of financial information and the means used to identify, measure, classify, and report such information.
  - 3.4. Review the County's established systems to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports and determine whether the department is in compliance.
  - 3.5. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
  - 3.6. Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
  - 3.7. Participate in the planning, design, development, implementation, and operation of major computer-based systems to determine whether:
    - 3.7.1. Adequate controls are incorporated in the systems.
    - 3.7.2. Thorough system testing is performed at appropriate stages.
    - 3.7.3. System documentation is complete and accurate.
    - 3.7.4. The needs of the user departments are met.
  - 3.8. Conduct periodic audits of computer service centers and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purpose and objectives.
  - 3.9. Submit annual audit plans to the Director of Finance and Risk Management for review and approval.
  - 3.10. Periodically report to the Director of Finance and Risk Management on whether:
    - 3.10.1. Appropriate action has been taken on significant audit findings.
    - 3.10.2. Audit activities have been directed toward the highest exposures to risk and toward increasing efficiency and effectiveness of operations.
    - 3.10.3. The annual audit plan is adequate.
    - 3.10.4. There is any unwarranted restriction on the staffing and authority of the internal auditors or on access by internal auditors to County activities, records, property, and personnel.
  - 3.11. Simultaneously report to the Board of Supervisors, County Administrator, and those members of management who should be informed or who should take

corrective action, the results of audit examinations, the audit opinions formed, the audit recommendations made, and the departmental responses to the audit, if applicable.

- 3.12. Evaluate any plans or actions taken to correct reported conditions for satisfactory disposition of audit findings. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.
- 3.13. Provide adequate follow-up to ensure that adequate corrective action is taken and that it is effective.

#### **4. PROCEDURE**

The audits will include a review for compliance with County policies and procedures and an assessment of internal controls. The audits will include the following steps:

- 4.1 Research the area under audit by obtaining budgets, organizational charts, and other relevant data.
- 4.2 Conduct an entrance conference with department representative(s).
- 4.3 Prepare and conduct a preliminary survey of the area under audit.
- 4.4 Discuss the audit approach with department representatives.
- 4.5 Prepare a work plan and a step by step audit program.
- 4.6 Conduct fieldwork to obtain audit evidence through analysis and interviews.
- 4.7 Analyze results of fieldwork.
- 4.8 Discuss preliminary findings with department representatives.
- 4.9 Prepare a draft audit report with observations and recommendations and discuss it with department representatives.
- 4.10 Request departmental responses to the observations and recommendations presented in the draft audit report.
- 4.11 Distribute the report and the departmental responses, if received within 10 calendar days of the date the draft audit was sent to the department, to the Board of Supervisors, County Administrator, and those members of management who should be informed or who should take corrective action.
- 4.11 Follow up to confirm that audit recommendations have been implemented.

**5. DEPARTMENTAL RESPONSIBILITY**

All Departments are required to cooperate with Internal Audit. Appropriate staffing and information shall be made available to the internal auditor throughout the course of the audit. Departments are expected to implement the recommendations included in the written audit report or provide the Board of Supervisors, County Administrator, Director of Finance and Risk Management, and Internal Audit with a complete, written explanation of why the recommendations will not be implemented.