

Office of the Auditor-Controller  
**Contra Costa County**

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TO: Internal Operations Committee

FROM: Robert R. Campbell, Auditor-Controller  
By: Joanne M. Bohren, CPA 

SUBJECT: Internal Audit – Annual Report

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The Board of Supervisors adopted a policy on June 27, 2000, directing the Auditor-Controller to annually report to the Internal Operations Committee on the proposed schedule of Internal Audit examinations for the following calendar year. The attached "*Schedule of Internal Audit Examinations*" provides the proposed examination schedule for 2017, and the attached "*Schedule of Internal Audit Examinations for 2016*" summarizes the status of the 2016 examinations.

In 2016, the Internal Audit Division completed all twenty-nine (29) of the scheduled examinations.

**General Findings:**

**Departmental Examinations**

There is an overall lack of adherence to several of the County's administrative requirements which results in many of our departmental examination recommendations, including the following:

- Comply with the Administrative Bulletins established for the cash collection process, discharge of delinquent accounts, inventories of materials and supplies, inventories of capital assets, and petty cash;
- Adhere to the procurement card manual;
- Adhere to personnel administrative requirements; and,
- Adhere to the Municipal Advisory Council (MAC) Fiscal Procedures and Board of Supervisors Resolution 2011/497, "Adopting policy governing appointments to, formation of, and requirement of boards, committees, and commissions that are advisory to the Board of Supervisors."

Approximately thirty-seven percent (37%) of the findings in 2016 were repeated from previous examinations. This is worse than the 2015 examination findings where less than ten percent (9.68%) were repeated findings from previous examinations. In order to timely correct issues and mitigate repetitive findings, the Internal Audit division conducts a follow-up with auditees six months after the issuance of the final examination report to determine if the recommendations were implemented. Since that follow-up process occurs mostly in the beginning three (3) months of the calendar year, there is no data currently available on the status of the 2016 findings. For calendar year 2015, ninety-one percent (91%) of the finding recommendations had been implemented.

### **Procurement Card**

The quarterly procurement card review continues to reflect compliance issues in the use of the card for recurring payments, gifts, services, memberships, and meal payments. Per the Procurement Card Manual, Section III.I., the use of a procurement card for recurring payments, gifts, services, memberships, and meal payments is prohibited. Additionally, the required supporting documentation for payments often is missing or inadequate. The Internal Audit staff continues to believe this is directly related to the discontinuation of the procurement card training program that was previously in existence.

### **2017 Scheduled Examinations**

The Chief Auditor and the Assistant Auditor-Controller performed a thorough review of existing and recurring examinations as well as identifying potential new examinations that should be incorporated in the 2017 schedule. The emphasis and priority in scheduling examinations is based on the perceived risk to the County. The schedule is composed of legally required examinations, such as the Treasury cash counts, reoccurring examinations, and new examinations.

Legally required examinations have their basis in government code. Reoccurring examinations have a preferred cycle attached to them based on their perceived amount of inherent risk. If a concern comes to the attention of the Chief Auditor or the Assistant Auditor-Controller, a reoccurring examination may be planned prior to it being due based on the preferred cycle.

The County's financial operations are subject to audit by a firm of independent external auditors, Macias Gini & O'Connell, LLP, Certified Public Accountants (MGO). The external auditors are responsible for performing an annual audit of the general-purpose financial statements of the County and the Public Financing Authority. The external auditors also perform an annual "Single Audit" of the County's federal financial-assistance programs. Other independent auditors perform annual audits of the Contra Costa County Housing Authority, state grant programs, and the FIRST 5 Contra Costa Children and Families Commission.

### **Other Projects**

In addition to performing departmental examinations the Internal Audit Division is responsible for preparing the County's Comprehensive Annual Financial Report (CAFR) and providing

assistance to other County departments and the County's external auditors. The CAFR process consumes approximately four months of staff time.

One of the reasons the preparation of the CAFR is time consuming is the complexity of the annual implementation of numerous new Governmental Accounting Standards Board (GASB) statements. Five new GASB statements are due to be implemented in Fiscal Year 2016-17.

Attachments