

Office of the Auditor-Controller
Contra Costa County

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March 12, 2018

TO: Internal Operations Committee

FROM: Robert R. Campbell, Auditor-Controller 
By: Harjit S. Nahal, Assistant Auditor-Controller

SUBJECT: Internal Audit – Annual Report

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 2018, and the attached "*Schedule of Internal Audit Examinations for 2017*" summarizes the status of the 2017 examinations.

In 2017, the Internal Audit Division completed thirty-four (34) of the scheduled examinations.

General Findings:

Departmental Examinations

There is an overall lack of adherence to several of the County's administrative requirements. Many of the departmental examination recommendations include 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, inventories of cash instruments, and petty cash;
- Adhere to the procurement card manual;
- Comply with the Contract Administration procedures and policies; 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."

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, printing services, and meal payments is prohibited. Cardholders are also prohibited to use the procurement card for purchases not authorized in the County's Administrative Bulletins. Additionally, the required supporting documentation for payments often is missing or inadequate. The Purchasing Officer is currently working with the Department of Risk Management to establish an electronic training program for new and existing cardholders.

2018 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 2018 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. Twenty-seven (27) examinations have been scheduled for calendar year 2018.

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.

Revisions to Annual Examination Process

The Auditor-Controller and Assistant Auditor-Controller reviewed the examination process and have implemented an expanded examination program. The expanded examination program includes a more detailed control assessment including interviews with senior management to assess risk within the departments. Additionally, the expanded examination program will assist Internal Audit staff to identify the lack of internal controls and noncompliance of statutory, contractual, and administrative requirements that may have been undetected in previous examinations.

Attachments

**Schedule of Internal Audit Examinations
Calendar Year 2018**

Department Project Description	Historical Estimated Hours	Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled For 2018	Exam Hours 2018
Board of Supervisors					
District 4 General Department Audit (Including MACs)	100	3/11	4	X	100
Auditor-Controller					
Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	60	6/17	1 (Law)	X	60
General Department Audit	250	12/10	4	X	250
Miscellaneous Trust Funds	320	1/10	4	X	320
Misc A-C duties (ie Petty Cash ICQ; Relief of Shortage; Increase/New Petty Cash; Recons)	60		1	X	60
Treasurer-Tax Collector					
Treasury Cash & Investments - 1st qtr (2018)	50	02/17	1/4 (Law)	X	50
Treasury Cash & Investments - 2nd qtr (2018)	50	05/17	1/4 (Law)	X	50
Treasury Cash & Investments - July 1 (2018)	50	7/3/17	1/4 (Law)	X	50
Treasury Cash & Investments - 3rd qtr (Auditor recommendation) (2018)	50	07/17	1/4 (Law)	X	50
Treasury Cash & Investments - 4th qtr (2017)	50	12/16	1/4 (Law)	X	50
Tax Collector Cash on Hand - 1st qtr (2018)	20	2/17		X	20
Tax Collector Cash on Hand - 2nd qtr (2018)	20	05/17		X	20
Tax Collector Cash on Hand - July 1 (2018)	20	7/3/17		X	20
Tax Collector Cash on Hand - 3rd qtr (2018)	20	07/17		X	20
Tax Collector Cash on Hand - 4th qtr (2018)	20	12/16		X	20
Treasury Oversight Committee (calendar year) (2017)	175	12/16	1 (Law)	X	175
Department of Information Technology					
Communications equipment inventory	100	6/12	3	X	100
Child Support Services					
General Departmental Audit	200	3/10	3	X	200
Clerk-Recorder					
General Departmental Audit	420	5/15	2	X	420
District Attorney					
General Departmental Audit	225	12/16	3	X	225
Probation					
General Departmental Audit	240	12/15	2(Law)	X	240
Health Services					
Public Health	250	12/13	2	X	250
Employment & Human Services					
Community Services Bureau (EHSD)	400	5/11	2	X	400

**Schedule of Internal Audit Examinations
Calendar Year 2018**

Department Project Description	Historical Estimated Hours	Last Done Through	Prefd. Examination Cycle (yrs)	Scheduled		Exam Hours 2018
				For 2018		
Public Works						
Public Works Inventories	100	6/12	3	X		100
Fleet Services Inventory	120	6/11	3	X		120
County issued Fastrak passes / County issued Vehicles		special		X		120
Purchasing:						
Procurement Card Program - July - December 2017	100	new increment	1/4 (CAO)	X		110
Procurement Card Program - January - June 2018	100	new increment	1/4 (CAO)	X		110
Special projects						
GASB Implementation (40 X 2)						150
Single Audit assistance/wrap up						80
						80

Schedule of Internal Audit Examinations for 2017

Department Examination Description	Last Done Through	Prefd. Audit Cycle (yrs)	Scheduled For 2017	Estimated Hours 2017	Total Examination Hours
Completed Examinations-As Scheduled					
County Administrator					
General Department Audit	12/05	4	X	160	158.00
Assessor					
General Department Audit	1/07	4	X	180	233.50
Auditor-Controller					
Revolving/Cash Diff. Fund & Shortage Report (fiscal year)	6/16	1 (Law)	X	60	38.00
Misc A-C duties (ie Petty Cash ICQ,Relief of Shortage;Increase/New Petty Cash; Recons)		1	X	60	7.00
Treasurer-Tax Collector					
Treasury Cash & Investments - 1st qtr (03/31/17)	02/17	1/4 (Law)	X	50	44.50
Treasury Cash & Investments - 2nd qtr (06/30/17)	05/17	1/4 (Law)	X	50	59.00
Treasury Cash & Investments - July 1	7/1/17	1/4 (Law)	X	50	50.00
Treasury Cash & Investments - 3rd qtr (09/30/17) (Auditor recommendation)	07/17	1/4 (Law)	X	50	40.00
Treasury Cash & Investments - 4th qtr (12/31/16)	12/16	1/4 (Law)	X	50	57.00
Tax Collector Cash on Hand - 1st qtr (03/31/17)	02/17		X	20	10.00
Tax Collector Cash on Hand - 2nd qtr (06/30/17)	05/17		X	20	11.00
Tax Collector Cash on Hand - July 1	7/1/17		X	20	12.00
Tax Collector Cash on Hand - 3rd qtr (09/30/17)	07/17		X	20	9.00
Tax Collector Cash on Hand - 4th qtr (12/31/16)	12/16		X	20	18.00
Secured Tax Collection	3/09	2	X	220	206.00
Unsecured Payment Trust	2/08	4	X	80	63.50
Unsecured Tax Collection	2/08	2	X	220	261.00
Treasury Oversight Committee (calendar year)	12/16	1 (Law)	X	140	277.00
Office of Revenue Collections					
Balances not tested in 2015 examination of ORC remaining Accounts Receivable	special		X	100	49.00
Human Resources					
General Departmental Audit	4/06	5	X	170	111.50
Clerk-Recorder					
GC27361(d)(4) project re: SSN truncation - Required to be performed by 12/2013 and 12/2017 (between 6/1/17 and 12/31/17)	2013	4	X	120	131.00
District Attorney					
General Departmental Audit	3/11	3	X	190	286.00

Schedule of Internal Audit Examinations for 2017

Department Examination Description	Last Done Through	Prefd. Audit Cycle (yrs)	Scheduled For 2017	Estimated Hours 2017	Total Examination Hours
<u>Sheriff-Coroner</u> (Requested Audit) Cal-Id	6/10	Special Req	X	80	86.00
<u>Animal Services</u> General Departmental Audit	4/10	2	X	320	149.50
<u>Health Services</u> Alcohol and Other Drugs	2/10	2	X	185	253.00
Mental Health	2/10	2	X	185	221.50
Patients Trust & Valuables	3/09	4	X	65	136.00
<u>Employment & Human Services</u> Children and Family Services (CFS) (0502)	with Dept audit- 1/09		X	120	234.00
Aging and Adult Services (0503)	with Dept audit- 1/09		X	120	292.50
<u>Public Works</u> <u>Purchasing:</u> Sale of surplus equipment					
Procurement Card Program - 1st qtr (03/31/17)	12/04	4	X	120	197.00
Procurement Card Program - 2nd qtr (06/30/17)	03/16	1/4 (CAO)	X	40	133.50
Procurement Card Program - 4th qtr (12/31/16)	06/16	1/4 (CAO)	X	40	76.50
Procurement Card Program - 3rd qtr (09/30/17)*	12/15	1/4 (CAO)	X	40	123.00
*Changed examination to every 6 months instead of quarterly. Last exam sent for 09/30/17 thru 12/31/17)	09/16	1/4 (CAO)	X	40	Outstanding
<u>Contra Costa Fire Protection District</u> Fleet Parts and Fuel Inventories	6/10	3	X	100	41.00
<u>Mitigation Funds</u> North Richmond Mitigation Fund	2/11		X	240	522.00