

# Auditor-Controller's Office

## Internal Audit Division (IAD) Activity Report

### Internal Audits and Reviews

IAD conducts audits and analytical reviews, which are objective evaluations of business operations to improve the effectiveness of controls, uncover potential issues, and/or identify new opportunities for efficiencies and improvements. The table below lists each Work Plan project with its progress:

Project Name	Overview / Objective	Progress Status
Quarterly Cash & Investments Reviews	Verifies the Treasurer's Report of Investment, and cash and investment reconciliations, as required by Government Code Sections 26920-22 and 26905.	<ul style="list-style-type: none"> <li>• Completed quarters: 6/30/22, 9/30/22, 12/31/22, 3/31/23, and 6/30/23.</li> </ul>
Waste Management Franchise Fees Audit (Phase I)	<p>Verify that various fees required of Waste Management, Inc. under the waste collection franchise agreement have been accurately calculated and timely paid to the County.</p> <p>Audit recouped \$471,700 in underpaid and late fees for the County and \$133,043 in customer overcharges.</p>	<ul style="list-style-type: none"> <li>• Completed. Report issued on 8/30/23.</li> <li>• 13 recommendations.</li> </ul>
Cash Handling Audits	<p>Evaluate the effectiveness of internal controls related to the handling of cash, checks and credit card payments at various County cashiering locations.</p> <p>PWFP's Lake San Antonio's cash handling operations consisting of up to \$1 million in annual revenue was reviewed.</p> <p>Audit found internal control gaps that create risks of loss, theft and/or misappropriation of funds.</p>	<ul style="list-style-type: none"> <li>• Completed. Report issued on 12/22/22.</li> <li>• 18 recommendations</li> </ul>
Transient Occupancy Taxes (TOT) Audits	Ensure TOT taxes are accurately reported and remitted to the County, pursuant to the County's Uniform Transient Occupancy Tax Ordinance.	<ul style="list-style-type: none"> <li>• In progress.</li> <li>• 4 hotel operators selected for audit.</li> </ul>
Waste Management Franchise Fees Audit (Phase II)	Verify customer billing rates and diversion percentages, and Waste Management's compliance with the reporting requirements and other	<ul style="list-style-type: none"> <li>• Deferred based on Phase I audit finding that the County is entitled to the audit and WM is</li> </ul>

Project Name	Overview / Objective	Progress Status
	performance standards of the agreement.	responsible for the audit cost.
Laguna Seca Recreational Area Management Services Agreement Audit (Phases I and II)	Determine whether the contractor has been accurately charging the County for appropriate expenses and receiving accurate incentive fees from the County.	<ul style="list-style-type: none"> <li>Deferred due to recent changes in the management services agreement.</li> </ul>

## **External Audits**

IAD helps guide County departments and entities through the procurement and contract management process to secure external firms for needed or mandated audit and consulting services to assess an operation, contract, or grant program. IAD’s responsibilities include identifying audit scope, issuing solicitation for services, reviewing and selecting the vendor, and coordinating and monitoring the vendor’s service.

Project Name	Overview / Objective	Progress Status
Audit and Consulting Services Contractor Pool	Establish a pool of pre-qualified vendors to timely and efficiently provide as-needed financial, performance and related audit and consulting services.	<ul style="list-style-type: none"> <li>After an extensive RFP issuance, review, selection, and contract process, a pool of 8 pre-qualified audit firms has been established upon approval by the Board in April 2023.</li> </ul>
Water Recycling Agreement Expenses Audit	At the request of WRA, IAD secured an audit firm and is administering the audit to evaluate Monterey One Water’s compliance with the provisions of the agreement between the County and M1W pertaining to cost reconciliation, reimbursement processing, and expense reporting.	<ul style="list-style-type: none"> <li>Audit started in August 2023.</li> <li>Audit was originally slated to be performed by IAD, but limited resources and time sensitivity required outsourcing.</li> </ul>
Homeland Security Grant Program Audit	At the request of the CAO and County Counsel, IAD secured an audit firm and is administering the audit of grant funds awarded by the California Office of Emergency Services’ Homeland Security Grant Program.	<ul style="list-style-type: none"> <li>Audit started in March 2023.</li> </ul>
Juvenile Hall Project - SB81 Financing Program Final Audit	At the request of PWFP, IAD secured and administered the audit to evaluate whether claims made to the State for	<ul style="list-style-type: none"> <li>Completed. Report issued on 5/1/23.</li> </ul>

Project Name	Overview / Objective	Progress Status
	reimbursement meet SB81 Financing Program requirements.	
Jail Addition Project - AB900 Financing Program Final Audit	At the request of PWWP, IAD secured and administered the audit to evaluate whether claims made to the State for reimbursement meet AB900 Financing Program requirements.	<ul style="list-style-type: none"> <li>Completed. Report issued on 4/3/23.</li> </ul>
Greenfield Memorial District Financial Statements Audit	At the request of Supervisor Lopez, audit the district's financial statements in accordance with the California State Controller's audit requirements for special districts.	<ul style="list-style-type: none"> <li>Audit has not commenced. IAD's numerous attempts at coordinating the audit with the district has proved futile thus far.</li> </ul>
Greenfield Memorial District Fiscal Practices Audit	At the request of Supervisor Lopez, evaluate the district's fiscal practices and processes to help assure that funds and assets are adequately safeguarded.	<ul style="list-style-type: none"> <li>Audit has not commenced. IAD's numerous attempts at coordinating the audit with the district has proved futile thus far.</li> </ul>

### **Compliance Review & Monitoring**

IAD conducts certain State Code compliance monitoring activity for Special Districts. IAD also conducts certain review work to assist County departments with financial-related accountability and operational efficiency.

Project Name	Project Objective	Progress Status
Audit and Budget Requirements of Special Districts and Joint Powers Authorities	Monitor the audits and budgets completion and submission of 52 special districts in the County as required by Government Code Sections 26909 and 53901. Provide technical support, such as evaluating and administering requests for alternative compliance options, fielding questions regarding the mandates, and assisting in the procurement of audit services.	<ul style="list-style-type: none"> <li>This is an ongoing IAD responsibility.</li> </ul>
Petty Cash and Change Funds	Evaluate departmental requests to establish or modify petty cash and change funds. Review requests for replenishment of petty cash accounts. Track change fund overages and shortages. There are over 100 petty cash and change funds used by the County departments.	<ul style="list-style-type: none"> <li>This is an ongoing IAD responsibility.</li> </ul>

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## **INTERNAL AUDIT – WHO WE ARE AND WHAT WE DO**

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### **Purpose, Authority, and Responsibility**

In 2019, the Board approved the Auditor-Controller’s Internal Audit Charter and Internal Audit Policy and Operations Manual, which established the Internal Audit Division’s, purpose, authority, and operational framework.

The purpose of the IAD is to provide reliable, independent, and objective assurance and consulting services designed to mitigate risks, safeguard assets and resources, and maximize public value. IAD aims to help the Board and departments accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and internal control processes.

### **Independence and Objectivity**

The Auditor-Controller is independent from the County’s organizational structure, which allows objective reporting of audit results. The IAD, which operates under the Auditor-Controller in a stand-alone division, has no direct operational responsibility or authority over the activities audited. Furthermore, IAD must ensure compliance with professional auditing standards pertaining to independence and objectivity from the Institute of Internal Auditors and the U.S. Government Accountability Office.

### **Auditing Standards**

The IAD conducts audits as specified under California Government Code Section 1236. Specifically, IAD operates in conformance with the Global Internal Audit Standards promulgated by the Institute of Internal Auditors, as well as with the Generally Accepted Government Auditing Standards of the U.S. Government Accountability Office.

### **Internal Audit Staff**

Currently, The IAD is a two-person team consisting of a Chief Deputy-Internal Audit and an Internal Auditor II. Team members possess both extensive private and government sector auditing experience and meet continuing professional education requirements in accordance with auditing standards.