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**QUALITY ASSURANCE REVIEW
SOLANO COUNTY
INTERNAL AUDIT SERVICES**

The County of Marin Internal Audit Division was engaged to conduct a Quality Assurance Review (review) of Solano County's Internal Audit Services. The review was conducted for the period July 1, 1994 to June 30, 1998, and the fieldwork was conducted in 1999, using a team of experienced internal auditors. The objectives of the review were to offer recommendations to increase Internal Audit Services' efficiency and effectiveness and to determine whether the department conformed with the *Standards for the Professional Practice Internal Auditing (Standards)*.

We found many positive aspects about the internal auditing function. The staff all possessed experience in internal auditing, each with relevant education. Staff expressed interest in obtaining professional certifications and management was willing to provide the necessary tools to achieve those goals. Also, staff was encouraged to attend continuing professional education courses of high quality. Internal Audit Services demonstrated a keen interest in improving existing processes.

In our opinion, Solano County's Internal Audit Services generally conforms with the *Standards*. However, opportunities for improvement remain with the *Standards for Planning; Reliability and Integrity of Information and Following Up*.

We offer the following agenda for improving the efficiency and effectiveness of Internal Audit Services.

Three strategic steps need to be taken:

1. Implement audit finding tracking system.
2. Plan for management audit requests and unanticipated demands.
3. Increase expertise in the area of information systems audits.

The three issues are addressed in more detail in the *Observations and Recommendations* section of the report. Implementation of our recommendations will improve the value of the service provided by the internal auditing department and ensure full conformance with the *Standards*.

Marin County Auditor - Controller

September 24, 2001

OBSERVATIONS AND RECOMMENDATIONS

1. IMPLEMENT TRACKING SYSTEM FOR AUDIT FINDINGS

In our review of audit workpapers, we found one audit assignment evidenced no mention as to whether prior year recommendations were implemented. Additionally, we found one audit assignment in which there was no follow-up to ensure that promised corrective actions were eventually taken. Overall, follow-up efforts are limited to recurring audits performed by Internal Audit Services.

Recommendation:

In 1999, Internal Audit Services began implementation of a more formal audit finding tracking system. This system will help to determine where audit resources are best utilized, and perform follow-ups of all significant external and internal audit findings reported to management. Due to significant staff vacancies and turnover, this project may have been set aside. We suggest that continued administration time is allotted to this important project to allow for its full implementation.

Audit Management Response:

We agree with the observation. In July 2001, our office implemented a formal audit finding tracking system to perform follow-up reviews of all significant audit findings reported to management.

**Solano County
Peer Review
Observations and Recommendations, Cont.**

**2. PLAN FOR MANAGEMENT
AUDIT REQUESTS AND
UNANTICIPATED DEMANDS**

The amount of hours allocated to unplanned audits appeared to be insufficient to cover unanticipated demands on staff resources. Furthermore, staff turnover and vacancies resulted in greater training and supervision time, increasing the overall time spent on planned audits. Finally, management requests, particularly at mid-year, impacted the audit plan.

As a result, the internal control self-assessment program was placed on hold for 1½ years; requests for services were turned away due to lack of staff availability; and follow-up activities were limited.

Recommendation:

Audit plans should include a significant amount of unplanned audit hours in order to cover unanticipated demands on staff resources.

We concur with Internal Audit Services' suggestion that all county departments should participate in a formal process to request audit services. This process would precede the development of the audit plan.

Solano County
Peer Review
Observations and Recommendations
Observation # 2, Cont.

Audit Management Response: This observation was beyond our control and was probably experienced by several other counties. Historically, our office has always allocated 7 to 10% of total audit hours available to cover unanticipated demands on staff resources. Prior to fiscal year 97/98, our office did not experience any difficulty in managing unplanned requests. Fiscal year 97/98 may have been an exception. During this year, our office experienced significant staff turnover and vacancies. These circumstances could not have been possibly foreseen when the audit plan was being developed.

**Solano County
Peer Review
Observations and Recommendations, Cont.**

**3. INCREASE EXPERTISE IN
THE AREA OF
INFORMATION SYSTEMS
AUDITS**

Currently, Internal Audit Services does not perform information systems audits inasmuch as it has little expertise in that area. However, a limited review of system inputs, processes, outputs and general controls are performed when relying on computer-generated data.

Recommendation:

We concur with Internal Audit Services' plan to expand expertise in the area of information systems audits, and suggest that future staffing plans include an information systems auditor.

Audit Management Response:

We agree with the observation. Due to significant staff turnover and vacancies for the past several years, our plan to develop and expand expertise in the area of information systems audits has been put on hold.

In September 2001, we were able to fill all of our vacant positions. As part of our strategic plan, we will develop members of our staff to perform information systems audits by providing them with the technical training and experience needed to gain expertise in this area.