

September 26, 2023

Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue
Bakersfield, CA 93301

**REPORT ON THE COUNTYWIDE RISK ASSESSMENT AND
INTERNAL AUDIT PLAN FOR FY 2023-24**
Fiscal Impact: None

Attached is the internal audit plan for FY 2023-24. The Institute of Internal Auditors standards require that your Board approve our audit plan. The attached audit plan for FY 2023-24 was prepared by my office based on a countywide risk assessment performed by the internal audit division. The report includes the countywide risk assessment and internal audit plan for FY 2023-24.

Therefore, IT IS RECOMMENDED that your Board approve the FY 2023-24 Countywide Risk Assessment and Internal Audit Plan.

Sincerely,

A handwritten signature in blue ink, appearing to read "Aimee X. Espinoza".

Aimee X. Espinoza
Auditor-Controller-County Clerk

AXE/tbs

Attachment

cc: County Administrative Office

County of Kern
Auditor-Controller- County Clerk's Office
Internal Audit Division



COUNTYWIDE RISK ASSESSMENT
AND
INTERNAL AUDIT PLAN
FISCAL YEAR 2023-24

Aimee X. Espinoza
Auditor-Controller-County Clerk

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EXECUTIVE SUMMARY

The Countywide Risk Assessment is a systematic process used to identify, assess, and prioritize potential audits based on the level of risk to the County. The Auditor-Controller's Internal Audit Division (IAD) sent out questionnaires to all County department heads to aide in the development of the risk assessment. The IAD evaluated financial information, operational and organizational information, past internal and external audit reports, fraud tips, and risk assessment questionnaire responses to identify the level of risk in various Countywide business processes.

The risk assessment, government code, available resources, and input provided by pertinent parties all contributed to the development of the Internal Audit Plan. Our audits are largely focused on adding value and improving the County's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of compliance, risk management, and internal control.

The IAD conducts audits as specified under California Government Code Section 1236. Specifically, audits are performed in conformance with the Internal Standard for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA) and Government Auditing Standards issued by the Comptroller General of the United States, as applicable. These auditing standards require the Auditor-Controller, as the County's chief audit executive, to establish a risk-based plan to determine the priorities of the IAD.

The annual Internal Audit Plan is developed prior to the beginning of the fiscal year, and various events may occur throughout the year requiring deviation from the established plan. Therefore, the Internal Audit Plan may be modified to accommodate a change in resources or to address significant issues requiring the IAD's attention.

RISK ASSESSMENT PROCESS

Risk assessment is a fundamental auditing concept premised on the need to concentrate our efforts in the areas of the greatest relative risk. This is a more efficient and focused approach to provide audit coverage on a cyclical basis. "Risk" for this purpose does not imply any unwarranted business strategy or lack of management oversight; however, most risk is inherent in the business activity. As such, while most of our audits are cyclically driven by the requirements of the Government Code, the scope of those audits will be dictated by a risk assessment conducted prior to audit commencement.

The risk assessment performed for the FY 2023-24 Internal Audit Plan was based on measurable criteria gathered by the IAD.

Step 1: Identify Risks

Gathered and reviewed the following information:

- Financial information
- Budget information
- Departmental operations and structure
- Changes in operations
- Departmental Audit Questionnaire responses
- Past internal/external audit findings
- Information provided by pertinent parties

Considered various risk factors on a department and Countywide level.

- Change in key personnel or departmental reorganization
- Significant changes to personnel workloads
- Complexity and volume of laws and regulations for the department's operations
- Grant complexity
- Processes and procedures related to certain Countywide financial information
- Size and complexity of department
- Self-identified audit needs
- Fraud tips
- Needs identified by various levels of management

Step 2: Evaluate and Define Risk Ratings

Utilizing the above criteria, business processes were evaluated on a departmental and countywide level. Risk ratings were identified for each business process and totaled on a departmental and countywide level. Risk ratings are identified as follows:

Rating	Department Score	Countywide Score	Criteria
Very Low	9	30	Likelihood of risk occurring is very low. Processes are not complex and controls are effective.
Low	10-18	31-60	Likelihood of risk occurring is low. Processes are not complex and controls are effective.
Moderate	19-27	61-90	Likelihood of risk occurring is moderate. Processes are moderately complex and minor control weaknesses are noted.
High	28-36	91-120	Likelihood of risk occurring is high. Processes are complex and some control weaknesses are noted.
Very High	37-45	121-150	Likelihood of risk occurring is very high. Processes are complex and controls are not effective.

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Step 3: Identify Risk Rating on Department and Countywide level

The IAD's evaluation for each department and on a countywide level yielded the following results:

Level of Risk by Business Process										
	Cash	Accrued Revenue & Accounts Receivable	Capital Assets	Expenditures & Accounts Payable	Purchasing and Contracts	Grants	Compliance with Laws and Regulations	Size & complexity	Previous Audit Results	TOTAL
BEHAVIORAL HEALTH AND RECOVERY SERVICES	3	4	4	1	5	4	5	5	3	34
PUBLIC WORKS	3	2	5	4	4	4	2	5	3	32
AIRPORT	5	3	5	2	4	5	1	2	3	30
AGRICULTURE AND MEASUREMENT STANDARDS	3	4	4	3	3	3	1	3	4	28
FIRE	3	3	4	3	5	2	1	4	3	28
GENERAL SERVICES	3	3	4	3	5	2	1	3	4	28
PROBATION	3	3	2	3	5	3	2	4	2	27
PUBLIC HEALTH	3	2	2	4	5	4	1	3	3	27
AGING AND ADULT SERVICES	3	2	2	1	5	4	3	3	3	26
SHERIFF	4	2	3	1	5	2	3	4	2	26
DISTRICT ATTORNEY	3	2	2	1	4	4	3	3	2	24
HUMAN SERVICES	3	3	1	1	5	3	2	4	2	24
INFORMATION TECHNOLOGY SERVICES	1	2	4	3	4	1	2	4	2	23
PLANNING	1	3	2	4	2	4	2	2	3	23
ANIMAL SERVICES	3	4	2	1	4	2	1	2	2	21
AUDITOR-CONTROLLER	2	2	2	2	3	1	3	3	3	21
LIBRARY	3	2	3	1	4	3	1	2	2	21
EMPLOYERS TRAINING RESOURCE	1	2	1	1	3	4	1	3	2	18
PUBLIC DEFENDER	1	1	2	1	2	2	4	3	2	18
ASSESSOR-RECORDER	3	1	2	1	2	1	2	3	2	17
CHILD SUPPORT	1	2	1	1	3	2	2	4	1	17
COUNTY COUNSEL-RISK MANEGEMENT	2	2	2	1	2	1	1	2	2	15
TREASURER-TAX COLLECTOR	2	2	1	1	3	1	1	2	2	15
COUNTY ADMINISTRATIVE OFFICE	1	2	1	1	1	3	1	2	2	14
COUNTYWIDE COMMUNICATIONS	1	1	1	1	3	1	1	2	2	13
HUMAN RESOURCES	2	1	1	1	2	1	1	2	2	13
VETERANS SERVICE	1	1	2	1	1	1	1	3	2	13
BOARD OF SUPERVISORS	1	1	1	1	2	1	2	1	2	12
CLERK OF THE BOARD	2	1	1	1	1	1	1	2	2	12
FARM AND HOME ADVISOR	3	1	1	1	1	1	1	1	2	12
TOTAL	70	64	68	51	98	71	53	86	71	

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Fire and Agriculture and Measurement Standards were determined to be high risk. Due to when the most recent audit was performed and lack of resources these departmental audits are not included in the 2023-24 audit plan. However, they will still be subject to the Countywide audits.

Step 4: Establish Audit Plan

In establishing the 2023-24 internal audit plan the IAD considered the risk assessment results, mandated audit requirements, and internal audit resources, and special considerations.

Mandated Audit Requirements - Government Code Section 26920 and 26922 requires a quarterly count of assets held by the Treasurer. The Auditor-Controller ensures the scope of internal audits includes an examination of the organization's system of internal controls and follow-up on prior audit findings and recommendations.

Internal Audit Resources - In calculating internal audit resource hours, the IAD calculated the total number of hours each internal audit team member can contribute to the completion of the audit plan in one fiscal year. The IAD began with the assumption that a full-time team member represents the equivalent of 2,080 hours we then subtracted paid time off and training to arrive at 1,840 hours available. Next, we calculated productive audit hours available by identifying time spent between audit, reporting, payroll, and management. Lastly, we multiplied total productive hours by 80% to account for staff breaks, meetings, and travel time.

At the time this audit plan was established the IAD had 3 full-time audit accountants and one Division Chief over audit and reporting. We have since hired one Auditor-Controller Senior Accountant in the division.

Special Considerations - We reserved audit hours to address areas of concern from the Board of Supervisors and potential incidents of fraud, waste, and abuse. We have also reserved audit hours for engagements that have to be done on an annual basis.

INTERNAL AUDIT RESOURCES

POSITION	AUDIT	REPORTING	PAYROLL	MANAGEMENT	TOTAL
Division Chief	30%	40%	0%	30%	100%
A/C Senior Accountant	60%	40%	0%	0%	100%
Senior Accountant	100%	0%	0%	0%	100%
Senior Accountant (Payroll)	50%	0%	50%	0%	100%
Accountant	100%	0%	0%	0%	100%

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POSITION	NUMBER OF AUDITORS	PRODUCTIVE AUDIT HOURS	DIRECT TIME	DIRECT BUDGETED HOURS
Division Chief	1	552	80%	440
A/C Senior Accountant	1	1,104	80%	883
Senior Accountant	2	3,680	80%	2,944
Senior Accountant (Payroll)	1	920	80%	736
Accountant	1	1,840	80%	1,472
	6	8,096		6,475

OVERVIEW OF PLANNED ENGAGEMENTS

RESULTS OF RISK ASSESSMENT			
ENGAGEMENT	PRIOR YEAR	CURRENT YEAR	HOURS
Countywide Purchasing Cards		X	400
Countywide Capital Assets		X	400
Countywide Grant Audit		X	500
Airports Department Audit		X	260
General Services Department Audit		X	360
Fire ^a	X		20
General Services Department Audit ^a	X		20
Information Technology Services ^a	X		40
Employers Training Resources ^a	X		40
Human Services	X		650
Behavioral Health and Recovery Services	X	X	500
Aging & Adult Services	X		260
Public Works	X	X	750
			<u>4,200</u>

^a Prior year nearly complete.

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OTHER PROJECTS

DESCRIPTION	HOURS
Countywide Inventory Audit	230
Animal Services	140
Treasurer-Tax Collector Quarterly Cash Counts	260
Follow-up on Audit Findings	300
Sheriff Special Fund Audit	80
Department Head Certifications	60
Fraud Hotline	75
Annual Risk Assessment & Audit Plan	280
Implementation of new Audit Software	200
Monitoring	650
	<u>2,275</u>
TOTAL AUDIT HOURS	<u><u>6,475</u></u>