

**RESPONSE TO
2021-2022 CIVIL GRAND JURY'S REPORT RE: INTERNAL AUDITS**

Following is the response of the Riverside County Board of Supervisors (BOS) and Executive Office (EO) to the findings and recommendations included in the above referenced Civil Grand Jury Report pursuant to California Penal Code §§ 933 and 933.05.

FINDINGS

Grand Jury Finding #1:

California Government Code Section 25250 requires counties to audit their departments every two-years. The ACO's use of "Follow-Up" and "Change of Department Head" audits to fulfill this legal requirement violates California law.

Supported by Facts 1.1 and 3.1

Response to Grand Jury Finding #1:

The respondents disagree wholly with the finding.

The BOS and EO disagree that the Auditor-Controller's Office (ACO) current practice violates California law. The *Peer Review Quality Assessment of Internal Audit Department of the Auditor-Controller Office of Riverside County, California March 9, 2022* (Peer Review Report) stated that the ACO's audit planning was sufficient to meet California Code 25250 (pg. 11). The BOS and CEO agree that the law should be referenced in a Board Policy.

Grand Jury Finding #2:

Professional Standard 1100 requires the Internal Audit Unit be independent. With the Internal Audit Unit included within the ACO's "Audits and Specialized Accounting Division," the Internal Audit Unit is not completely independent. Hence, the ACO is not complying with Standard 1100. Supported by Facts 1.1 and 3.1

Response to Grand Jury Finding #2:

The respondents disagree partially with the finding.

BOS and EO disagree that the Internal Audit Unit is not completely independent. The Peer Review Report states that "Auditor independence and objectivity are not compromised because the specialized accounting function does not audit the reports that they prepare" (pg. 9). However, it is agreed that the two units should be segregated if feasible.

Grand Jury Finding #3:

The County's internal audits are marginalized and, in many cases, just ignored. Supported by Facts 3.5, 3.6, 3.7, 3.8, and 3.9

Response to Grand Jury Finding #3:

The respondents disagree partially with the finding.

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Per Board Policy No. A-33, departments under the direction of BOS and EO are expected to work cooperatively with, and respond to, the ACO when audited, both during and post audit. The audit process is well documented and followed per the Peer Review Report. However, the report did recommend that the ACO should have more frequent communication with the members of the BOS and EO. These meetings have already commenced with EO. Additionally, EO has created a system in which the results of the audits are more widely shared and there is a greater level of follow-up with departments to make sure the recommendations are implemented. As an aside, and as noted in the Peer Review Report, audited departments may disagree with the audit findings, but that doesn't equate to a marginalization of the audit findings.

Grand Jury Finding #4:

The County's Internal Audit Unit members do not have the combined knowledge, skills and experience to perform their responsibilities as required by Standard 1210.
Supported by Facts 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, and 2.10

Response to Grand Jury Finding #4:

The respondents disagree wholly with the finding.

The Peer Review Report states that the Internal Audit staff are "capable, qualified, and perform high-quality work," and that the staff do maintain their continuing professional education. BOS and EO agree that members of the Internal Audit Unit should have both the necessary and appropriate training to perform their responsibilities and we are working with the ACO and Human Resources (HR) to create a program to incentivize continued education and training.

Grand Jury Finding #5:

The County consistently fails to rectify known limitations in its internal Audit Unit
Supported by Facts 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, and 2.10

Response to Grand Jury Finding #5:

The respondents disagree wholly with the finding.

The BOS and EO are respectful to not infringe on the authority or powers of the ACO, as an elected officer of the County. It is the responsibility of each department head to assess their staffing needs and make necessary budget requests. All budget and staffing requests are given appropriate consideration. The BOS and EO support departments working with the HR to identify the proper job descriptions and requirements for each classification for their respective departments. The EO has not made a recommendation of denial, nor has the BOS denied, a budget increase request by the ACO.

Grand Jury Finding #6:

The County's Internal Audit Unit members lack professional certifications and experience in critical areas, which in turn exposes the County to potential financial and operational risks.
Supported by Facts 2.9, 2.10, 3.3, and 3.4

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Response to Grand Jury Finding #6:

The respondents disagree wholly with the finding.

The Peer Review Report states that the Internal Audit staff are "capable, qualified, and perform high-quality work," and that the staff do maintain their continuing professional education. The BOS and EO do agree that members of the Internal Audit Unit should have both the necessary and appropriate training to perform their responsibilities and we are working with the ACO and HR to create a program to incentivize continued education.

Grand Jury Finding #7:

The County's lack of an audit oversight committee has resulted in some high-risk areas missed by internal audits for several years.

Supported by Facts 1.4, 1.5, 2.9, 2.10, 3.3, 3.4, and 3.10

Response to Grand Jury Finding #7:

The respondents disagree wholly with the finding.

The Peer Review Report states, "The internal audits are adequately planned, scoped and assigned based on California mandates and effective allocation of audit resources." It goes on to state: "Audit engagements are documented in an audit plan and audit procedures are updated to reflect audit risks." In general conformance with standards and best practices, audits are adequately planned and managed. These practices "provide coverage for the assessment of governance, risk and control" (pg. 10).

Grand Jury Finding #8:

The County's internal audit reports do not provide the Board and Executive Office with (a) summary information about the seriousness of the findings, (b) likelihood of negative impacts to the County, or (c) how quickly corrections need to be made.

Supported by Fact 3.10

Response to Grand Jury Finding #8:

The respondents disagree partially with this finding.

Internal Audit reports identify risks, the seriousness of findings and the likelihood of negative impacts. However, the BOS and EO agree that audit reports should include classifications for the severity of control findings.

Grand Jury Finding #9:

The County's follow-up internal audit reports do not provide the Board and Executive Office with summary information on the status of departments implementing required correction actions.

Supported by Fact 3.11