Internal Audit Overview

April 6, 2016

The Role of Audits

- What is an audit?
  - Objectively obtaining & evaluating evidence
  - Communicating the results

- Why have audits?
  - Accountability
  - Independent assessment
  - Required by law

About the Internal Auditor

Brian Nava was appointed as Clackamas County's Internal Auditor in August 2015. Prior to joining Clackamas County, Brian held various audit positions with the Oregon Secretary of State Audits Division from 2004 to 2015.

Brian has performed financial, performance, compliance, fraud and/or information technology type audits at, including but not limited to, the following Oregon State Departments:

DAS, DEQ, DHS, OHA, ODOT, DOE, ODE, ODFW, OPRD, OECDD, OHCSD, OST, PERS, CCWD, TSPC, WRD, BOLI.

Brian received his Bachelor of Science degree in Business with an emphasis in Accounting from Linfield College. He also has minors in Computer Science and Math.

Brian is a member of the Institute of Internal Auditors (IIA), Oregon Association of Certified Fraud Examiners (OACFE) and the Association of Local Government Auditors (ALGA).

Brian is a volunteer firefighter for the Canby Fire Department, where he also serves as the Treasurer for their Volunteer Association.

Structure of Internal Audit

- The Internal Auditor reports administratively to the Clackamas County Treasurer and functionally to the Internal Audit Oversight Committee (IAOC).

- Current members of IAOC
  - Martha Schrader, County Commissioner
  - Don Krupp, County Administrator
  - Stephen Madkour, County Counsel
  - Shari Anderson, County Treasurer

Audit Categories

- Financial
- Performance
- Compliance
- Information Technology
- Special Investigations
- Follow-up Audits
- Consulting Engagements

Financial Audits

- Independent assessment of financial information
  - Assess accounting principles used & estimates made by management
  - Evaluate overall presentation
  - E.g. External audit performed by Moss Adams LLP
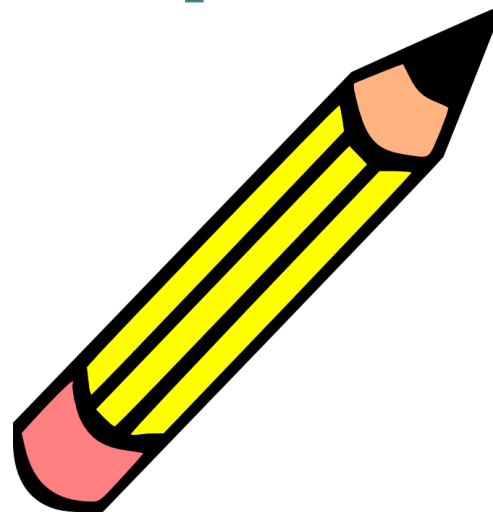
Performance Audits

- Independent assessment of the performance of a department, program, activity, or function.
    - Economy & efficiency
    - Effectiveness
    - Program results

Efficiency versus Effectiveness

Compliance Audits

- Measures performance in relation to requirements, such as:
    - Laws
    - Rules
    - Regulations
    - Bond covenants
    - Contract terms

Information Technology Audits

- Evaluate the adequacy of controls used to safeguard IT assets & operations.
  - Policies
  - Processes
  - Procedures

Follow-up Audits

- Evaluate the implementation of prior audit recommendations.
  - Can be internal or external audit recommendations

Special Investigations

- Investigate allegations of fraud, waste or abuse

County Hotline:

1-866-294-9315

www.ethicspoint.com

Waste and Abuse

- "Waste is the failure to give taxpayers as a whole responsible value for their money because of an inappropriate action or omission by a party with discretionary control over government assets or resources."

  -David T. Walker

  Former Comptroller General of the United States

Audit Criteria

- Generally Accepted Accounting Principles & Government Auditing Standards
- State Administrative Rules/Statutes/Policies/Procedures
- County Policies and Procedures
- Control Objectives for Information Systems and Related Technology (COBIT)
- Best Practices
- And More…

How do we decide what to audit?

- Annual risk assessment
- "Follow the money"
- Data mining—research to answer questions and look for patterns
- Requests from management
- Hotline calls

Annual Risk Assessment & Audit Plan

- County department's are generally scored based on:
  - The over 75 interviews conducted with key County stakeholders.
  - Complexity of each department (e.g. likelihood of error).
  - Potential impact an error or weakness would create.
  - Significance of revenues and expenses flowing through department.

- A high risk score does <u>not</u> mean that a department is being managed ineffectively or that internal controls are not adequate.

CY 2016 Audit Plan

Audit #	Engagement Title	Hours	Timeframe	Comments
Risk Assessment	2nd Annual Risk Assessment and 2017 Audit Plan	150	Sept. – Nov. 2016	Annually required by IIA auditing standards.
Policies and Procedures	Development of IA P&P's, website, mission, strategic objectives, etc.	200	Jan. – Apr. 2016	
Tier I Audits				
2015-1	Justice Court	Estimated at 120 for CY 2016	Nov. 2015 – Feb. 2016	Started in calendar year 2015.
2015-2	Risk Management Pool	Estimated at 120 for CY 2016	October 2015 – Jan. 2016	Started in calendar year 2015.
2016-1	Finance - Procurement	Estimated at 360 hours.	Mar. – July 2016	
2016-2	DTD - Engineering	Estimated at 360 hours	June – Oct. 2016	
2016-3	Tourism	Estimated at 360 hours	Sept. 2016 – Jan. 2017	
SPECIAL REVIEWS	Special reviews: - Fraud/Fraud Hotline	200	Calendar Year 2016	Special reviews are largely based on the # of EthicsPoint reports received during the year.
CONSULTING	Consulting Work	200	Calendar Year 2016	Consulting & training work as needed/ requested by management.
	Total Audit Hours for Calendar Year 2016	**2,070**		
INDIRECT	Indirect hours for 2016	250	Calendar Year 2016	Hours are estimates for training, leave time, dept outreach & management meetings.
	Total Budgeted Hours	**2,320**		

Audit Reports
www.clackamas.us/internalaudit
(website currently in development)

- Conclusions & recommendations
- Agency responses
- Follow-up and corrective action
- Available to the public

CLACKAMAS
C O U N T Y

Risk Management:
Insurance rate calculations and monitoring

March 2016
A Report by the Internal Auditor

Brian Nava
Clackamas County Internal Auditor

Shari Anderson
Clackamas County Treasurer

How do you conduct an audit?

General Audit Process
- Planning/Scoping
- Internal controls
  - Interviews with management and staff
  - Documenting policies and procedures
- Fieldwork
  - Substantive testing
  - Control testing
  - Analytical procedures
- Results meeting
- Reporting

Analysis

Hourly rate for recent external performance audit:

- $120

Hourly rate for internal auditor:

- $42.25

Organization	Number of Internal Auditors
Clackamas County	1
Multnomah County	9
Washington County	3
City of Portland	~12
Deschutes County	1
Lane County	1
Jackson County	3
Metro	6

Internal Auditor's Report

Project Type	Hours August 2015 - March 2016	Description
General Administration	90.5	Meetings with management (including update/team meetings with Treasurer), department outreach and generally anything that does not fit into one of the categories below.
IAOC/BCC/EMT Meetings	49	Recently created category. Previously these meetings were included in "General Administration".
Holiday	80	
Vacation	34	
Sick Leave	30	
Computer Assistance	8	TS application support, application setup, downtime associated with applications, computer not functioning appropriately, etc.
Training - CPE	20.5	Continuing Professional Education (CPE) - Program's and training which contribute to professional competence and are formal programs. (~40 hours required each fiscal year.)
Training - Non CPE	45	Anything that does not qualify as CPE and is training. e.g. On-Boarding training, benefits training, DES training, PeopleSoft training, etc.
Risk Assessment	225.5	Countywide Risk Assessment and Audit Plan
Assurance - DES Risk Pool	222	DES Risk Management Pool
Assurance - Justice Court	115.5	Justice Court
Assurance - Procurement	3	Focus on procurement card policies, procedures and transactions.
IA Policy and Procedure Development	5	To ensure compliance with Institute of Internal Auditors' (IIA) standards.
Consulting	145.5	Thirteen consulting engagements have occurred since Internal Audit inception ranging from 1 hour to 61 hours.
Fraud/EthicsPoint	236.5	12 EthicsPoint calls and 5 other issues, since IA inception. Report History FY'12 - 3; FY'13 - 2; FY'14 - 3; FY'15 - 9; FY'16 - 12 (7/1/15 to date)
Grand Total	1310	

BCC Study Session

May 3rd, 2016 at 10:30am
- Results of Department of Employee Services, Risk Management audit

Contact Us

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Oregon City, Oregon 97045

(503) 742-5983

County Fraud, Waste and Abuse Hotline

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