

**External Quality Assessment of the**

**Solano County  
Internal Audit Division**

**June 30, 2008, 2007 and 2006**



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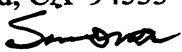
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November 30, 2009

Ms. Simona Padilla-Scholtens  
Auditor-Controller  
County of Solano  
675 Texas Street, Suite 2800  
Fairfield, CA 94533

  
Dear ~~Ms. Padilla-Scholtens~~:

### **Executive Summary**

As requested by the Chief Audit Executive, we conducted a quality assessment of the internal audit activity of the County of Solano. The principal objectives of the quality assessment were to assess the internal audit activity's conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of Solano County's management), and identify opportunities to enhance its management and work processes, as well as its value to the County of Solano.

### **Opinion as to Conformity to the Standards**

The overall opinion is that the internal audit activity generally conforms to the Attribute Standards, the Performance Standards, and the Code of Ethics as listed below:

- 1000 – Purpose, Authority, and Responsibility
- 1100 – Independence and Objectivity
- 1200 – Proficiency and Due Professional Care
- 1300 – Quality Assurance and Improvement Program
- 2000 – Managing the Internal Audit Activity
- 2100 – Nature of Work
- 2200 – Engagement Planning
- 2300 – Performing the Engagement
- 2400 – Communicating Results
- 2500 – Monitoring Progress
- IIA Code of Ethics

According to the IIA *Quality Assessment Manual*, “generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. “Partially conforms” means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. “Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

### **Scope and Methodology**

As part of the preparation for the quality assessment, the internal audit activity prepared an advanced preparation document with detailed information and sent out surveys to its staff and representative sample of Solano County executives. A summary of the survey results (without identifying the individual survey respondents) have been furnished to the internal audit activity. Prior to commencement of the onsite work by the quality assessment team on March 19, 2009, the team leader contacted Solano County to gather additional background information, select executives for interviews during the onsite field work, and finalize planning and administrative arrangements for the quality assessment. We extensively interviewed Solano County’s executives and internal audit activity staff. We also reviewed the internal audit activity’s risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the internal audit activity’s working papers and audit reports.

The internal audit activity environment where we performed our review is well-structured and progressive, where IIA Standards are understood and management is endeavoring to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation already in place in the internal activity.

We appreciate this opportunity to be of services to Solano County. We would like to thank Ian Goldberg for his helpfulness and cooperation during the quality assessment process. If you have any questions or concerns, please feel free to contact Kristin Muelrath at (707) 565-8315.



Rodney A. Dole  
Auditor-Controller Treasurer Tax Collector

## **Observations and Recommendations**

### **Observation**

The following observations were based on our review of the completed workpapers and audit report of the Public Guardian Internal Control Review for the fiscal year ending 6/30/06:

We did not observe any documentation of an exit/closing conference.

- There was no documentation showing an approved audit program prior to start of field work.
- We did not see any documentation of client communication regarding the audit findings.
- Did not see documentation of Client Representation letter in the workpapers.

### **Recommendation**

We recommend the audit division develop an Audit Review Checklist to be used by both the auditor as well as the reviewer. The use of this tool may help reduce the risk of items being overlooked or missed during the audit process.

### **Senior Management Response**

*Corrective action has been taken. In October 2006, the Internal Audit Division developed the 'Report Review Sign-off Form' to ensure significant audit processes and phases are performed and completed prior to completion of the audit project. As part of standard Division policy and procedures, each audit process and phase must be signed and dated to document audit completion. We have re-evaluated the form and determined all issues noted herein have been appropriately addressed within the form.*

*Due to the timing and completion of the Public Guardian Internal Control Review for the fiscal year ending 6/30/06, the Report Review Sign off Form did not exist.*

*Client communication regarding the audit findings are documented in two separate workpapers. When a finding is identified the Points and Disposition form is complete. Included in the form is the documentation of two separate client staff/ management which were contacted and confirmed the finding details. The date of those meetings is also included in the documentation. The second workpaper where the client*

*communication regarding the audit findings are documented is in our workpaper on the summary of audit issues identified. Within this workpaper we have included the disposition of the finding. In this particular audit the findings were communicated formally to the client in the final written report.*

*A Client Representation Letter was not obtained, as the audit was of an internal process. While it has been our practice to exclude representation letters from internal process reviews, we will re-examine the need/ benefit to obtaining a Representation Letter in audits of this nature.*

### **Observation**

The following observations were based on our review of the completed workpapers and audit report of the Suisun RCD for the fiscal year ending 6/30/06:

- The audit program was approved after the completion of the audit, not prior.
- Many of the workpapers which were client-prepared were difficult to distinguish from auditor prepared because they lacked "PBC" on the face of the workpaper.

### **Observation**

The following observation was based on our review of the completed workpapers audit report of the Suisun Fire Protection District for the fiscal year ending 6/30/07:

- The audit program was approved after the completion of the audit, not prior.

### **Recommendation**

Please see the recommendation for observation #1 above.

### **Senior Management Response**

*We agree with your findings, and note that the Report Review Sign-off Form currently being used by the Internal Audit Division to document approval and completion of audit processes and phases has resolved the above-noted observations (#2 & 3).*

*Additionally, we agree with your findings on client prepared information in the workpapers. We will take corrective action to ensure PBC "Prepared by Client" is noted on all client prepared documentation included in our workpapers. We believe this to be*

*isolated to this particular audit, as our audit documentation process typically includes very clear documentation of the source of all information in the workpapers,*

### **Observation**

The following observation was based on our review of the completed workpapers of the County Treasurer, 2<sup>nd</sup> Quarter 2007/08 and the County Treasurer, 1<sup>st</sup> Quarter 2006/07:

- The Treasury cash counts use statements obtained from treasury staff personnel rather than third party verification.
- Treasury report did not agree with the agreed-upon-procedures report.

### **Recommendation**

We recommend that the auditor obtain 3<sup>rd</sup> party verification when performing the Treasury quarterly cash counts/confirmations.

### **Senior Management Response**

*As the Quarterly Treasury Reviews are completed based on the AICPA Statements on Standards for Accounting and Review Services, confirmations are not a required procedure. However the Internal Audit Division obtains 3<sup>rd</sup> party confirmation of all bank accounts and investments when performing the quarterly and annual cash count at June 30 year-end (i.e., 4<sup>th</sup> quarter). For the quarterly cash counts performed prior to year-end (i.e., 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarters), official account statements received from banking and investment institutions are obtained from the Treasury staff. We believe this to be an effective and efficient procedure for performance in a review engagement*

*We disagree with the observation "Treasury report did not agree with the agreed upon procedures report". In review of the agreed upon procedures report we noted an immaterial variance was identified in the Non-AMT Muni investment valuation. This variance is noted in the report as immaterial and is included for informational purposes only. In our Treasury Report we noted no material variance was identified. We therefore believe the reports agree.*