



**AGENDA
AUDIT COMMITTEE MEETING
OF THE BOARD OF DIRECTORS
INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS, CHINO, CA 91708**

**MONDAY, SEPTEMBER 9, 2019
9:00 A.M.**

CALL TO ORDER

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form, which is available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. ACTION ITEM

A. MINUTES

The Committee will be asked to approve the Audit Committee meeting minutes of June 10, 2019.

B. FISCAL YEAR 2019/20 AMENDED ANNUAL AUDIT PLAN

Staff recommends that the Committee/Board approve the Fiscal Year 2019/20 Annual Audit Plan Amendment to be consistent with the requirements of the IA Charter.

2. INFORMATION ITEMS

A. WATER CONNECTION FEES (WCF): FOLLOW-UP AUDIT (WRITTEN)

- B. WAREHOUSE ANNUAL PHYSICAL INVENTORY - INTERNAL AUDIT INVENTORY OBSERVATION REPORT (WRITTEN)
 - C. AGENCY VEHICLE OPERATIONAL AUDIT: REVIEW OF VEHICLE SECURITY PROCEDURES FOLLOW-UP (WRITTEN)
 - D. REPORT OF OPEN AUDIT RECOMMENDATIONS AS OF SEPTEMBER 2019 (WRITTEN)
 - E. AUDIT COMMITTEE CHARTER AND INTERNAL AUDIT DEPARTMENT CHARTER (WRITTEN)
 - F. INTERNAL AUDIT DEPARTMENT STANDARD OPERATING PROCEDURES (SOPS) (WRITTEN)
 - G. INTERNAL AUDIT DEPARTMENT QUARTERLY STATUS REPORT FOR SEPTEMBER 2019 (WRITTEN)
- 3. GENERAL MANAGER'S COMMENTS
 - 4. AUDIT COMMITTEE ADVISOR COMMENTS
 - 5. COMMITTEE MEMBER COMMENTS
 - 6. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS
 - 7. ADJOURN

*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909-993-1736), 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by:

DECLARATION OF POSTING

I, Sally H. Lee, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA and to the IEUA Website at www.ieua.org on Thursday, September 5, 2019.



Sally H. Lee

**ACTION
ITEM**

1A



**MINUTES
AUDIT COMMITTEE MEETING
INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS, CHINO, CA
MONDAY, JUNE 10, 2019
9:00 A.M.**

COMMITTEE MEMBERS PRESENT

Steven J. Elie, Chair
Kati Parker

COMMITTEE MEMBERS ABSENT

None

STAFF PRESENT

Shivaji Deshmukh, General Manager
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Executive Manager of Finance & Administration/AGM
Javier Chagoyen-Lazaro, Manager of Finance & Accounting
Sapna Nangia, Senior Internal Auditor
Peter Soelster, Senior Internal Auditor
Teresa Velarde, Manager of Internal Audit
Sally Lee, Executive Assistant

OTHERS PRESENT

Ryan Domino, LSL
Debbie Harper, LSL
Travis Hickey, Audit Committee Advisor

The meeting was called to order at 9:02 a.m. There were no public comments received or additions to the agenda.

ACTION ITEMS

The Committee:

- ◆ Approved the Audit Committee meeting minutes of March 11, 2019.
- ◆ Recommended that the Board:
 1. Approve the FY 2019/20 Annual Audit Plan; and
 2. Direct the Manager of Internal Audit to finalize the FY 2019/20 Annual Audit Plan;as a Consent Calendar Item on the June 19, 2019 Board meeting agenda.

Director Elie commented on telephone expenses and the possibility of combining technologies.

INFORMATION ITEMS

The following information items were presented, received, or filed by the Committee:

- ◆ FY 2019/20 Financial Audit – Communications Required by SAS 114
- ◆ Board of Directors' Travel and Conference Expenses: Director Elie requested the item be presented at the Board Meeting. Director Parker requested the Agency to focus on the first two recommendations: consider establishing a "prior-to-conference" approval process and to consider establishing a list of potential organizations, conferences and meetings that are important and beneficial to the Agency, where Board representation is desirable. Discussion ensued about the importance of transparency and about adding the conference expenses into the Board packages.
- ◆ Voyager Fuel Card Audit
- ◆ Accounts Payable Follow-Up Audit
- ◆ Payroll Follow-Up Audit: Ethics Resolution and Confidentiality Agreement
- ◆ Report of Open Audit Recommendations
- ◆ Internal Audit Department Quarterly Status Report for June 2019

GENERAL MANAGER'S COMMENTS

General Manager Shivaji Deshmukh had no comments.

AUDIT COMMITTEE ADVISOR COMMENTS

Audit Committee Advisor Travis Hickey had no comments.

COMMITTEE MEMBER COMMENTS

There were no Committee Member comments.

COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

There were no Committee Member requested future agenda items.

With no further business, the meeting adjourned at 10:13 a.m.

Respectfully submitted,

Sally Lee
Executive Assistant

*A Municipal Water District

APPROVED: SEPTEMBER 9, 2019

**ACTION
ITEM**

1B



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Fiscal Year 2019/20 Amended Annual Audit Plan

Executive Summary:

The Internal Audit Department Charter and auditing standards state that the Internal Audit Department (IA) is to annually submit a comprehensive and flexible Annual Audit Plan for the Audit Committee and Board of Directors (Board) approval of proposed audits and projects. Further, IA must implement the Annual Audit Plan, as approved, including as appropriate any special tasks or projects requested by management, the Audit Committee or the Board. The Charter also requires that progress of audit projects be communicated through the Quarterly Status Reports. When deviations from the approved plan are necessary, a formal amendment must be submitted for the Audit Committee and Board approval.

The Fiscal Year (FY) 2019/20 Annual Audit Plan was submitted for Board approval in June 2019. Attached is the proposed amendment to the FY 2019/20 Annual Audit Plan. Proposed changes are due to re-prioritizing audit projects at the request of the Board and Management. The Board of Directors' Policies Workshop and related research for the various policies took audit resources to complete and provide the required presentation which delayed the scheduled audits. Additionally, initial meetings related to the HR Audit were deferred due to unanticipated reasons. IA is proceeding with the approved audits as scheduled. Additional changes will be reported to the Audit Committee and Board of Directors.

Staff's Recommendation:

Approve the Fiscal Year 2019/20 Annual Audit Plan Amendment to be consistent with the requirements of the IA Charter.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Prior Board Action:

On June 19, 2019, the Board of Directors approved the Fiscal Year 2019/20 Annual Audit Plan. The plan was in accordance with auditing standards and the Charter requirements.

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Charters. The Internal Audit Department Charter describes the requirement to submit a flexible annual plan of proposed audit projects for Board approval.

Environmental Determination:

Not Applicable

Business Goal:

The Fiscal Year 2019/20 Annual Audit Plan Amendment is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that Internal Audit submits for review, discussion and approval a plan of proposed projects that provide opportunities to evaluate and give recommendations that assist management and the Board in achieving organizational goals.

Attachments:

Attachment 1 - FY 2019/20 Amended Annual Audit Plan

Attachment 2 - FY 2019/20 Annual Audit Plan

New/Proposed Audit Projects:

Audit Project: Board of Directors Travel and Conference Expenses Review

Objective/Scope: As requested during the March 20, 2019 Board Meeting, IA took the lead to respond to the Director's request to review Directors Travel and Conference Expenses and related guidelines and policies. The review addresses the requests and questions from the Board related to transparency, approval processes, budgeting, current guidelines and a comparison to other similar agencies and to review to ensure that Agency policies and processes are updated. IA also summarized Agency spending by category, type and division for the past five years. IA completed a report and provided a presentation and discussion of the findings. Additional guidance was provided for staff to complete periodic travel expense spreadsheets that would be included with Board packages.

Status: Completed

At this time no additional work is scheduled for IA staff.

Audit Project: Board of Directors Policies Workshop

Objective/Scope: Reviewed Agency policies related to three items related to the Board of Directors' policies: Conference Expenses, Cell Phones Allowance and Healthcare Policies. IA performed surveys using the question/answer forum established by California Society of Municipal Finance Officers (CSMFO). IA provided a summary of the Board's budget and expenses. With coordination with the Agency's General Manager, IA provided a Board Workshop to discuss the review of the policies, the results of the surveys and gather information and direction from the Board for further analysis or revision to Agency policies, procedures and/or documents.

Status: Completed.

At this time no additional work is scheduled for IA staff.

Audits Proposed and Currently in Process

Human Resources Operational Audit

The scope of the audit is to evaluate all processes and operations of the Human Resources Department. To evaluate whether department standard operating procedures, policies and guidelines are implemented and followed. To evaluate the department's published mission statement, department purpose, business goals, key performance indicators and workload indicators to determine that those are met effectively and efficiently. To evaluate key functions and compare with other similar agencies. And finally, to follow up on any outstanding recommendations previously provided through other audit reports. The Human Resources Department and the Finance and Accounting Department will be the primary contact departments.

Status: In Progress

IA has gathered preliminary information and data and has begun developing the audit procedures. Preliminary Internal Control Questionnaires have been sent to the department. As requested by HR staff, all meetings and interviews have been delayed until the Agency's new HR Manager is available.

It is anticipated that this review will take several months and several different reports, reporting on different topics will be formalized and submitted through the Audit Committee.

Internal Audit Department
Fiscal Year 2019/20
Amended Annual Audit Plan



Audit Proposed and Currently in Process – continued

Recycled Water Program – Revenue

Recycled water revenue in FY 2017/18 was approximately \$16.9 million. An audit of this area would determine the accuracy of revenues and identify any additional revenue due the Agency. Additionally, the audit would evaluate that policies and procedures are being followed. The audit would also evaluate whether all reports presented provide complete information that is useful and reliable to the readers. The Finance and Accounting Department and the Planning & Environmental Resources Department will be the primary contact departments.

Status: In Progress

IA has gathered preliminary information and some data. This review will be postponed until the completion of the HR audit.

Additional Follow-Up Reviews

As required by the Charters and audit standards, IA will follow up on the status of outstanding recommendations to determine if corrective actions or alternate internal controls were implemented. There are currently, 86 outstanding recommendations which require follow-up action.

Status: On-going

IA continues to work with the respective departments to follow-up and assist in closing outstanding recommendations.

Audit Projects Originally Proposed and Completed

Follow-up Reviews to evaluate the status of outstanding recommendations

As required by the Charters and audit standards, IA will follow up on the status of outstanding recommendations to determine if corrective actions or alternate internal controls were implemented. There are currently 86 outstanding audit recommendations which require follow-up action. To date, Internal Audit has completed the following reviews:

- **Water Connections Audit (2 recommendations)**
- **Warehouse Inventory IA Recommendations Follow-Up (2 recommendations)**
- **Agency Vehicle Operational Follow-Up Audit: Gate Transmitters (2 recommendations)**

Audit Projects Originally Proposed and Deferred/Postponed

Personal Computer Loan Program and Policy Compliance

Review Agency policies and internal controls as they relate to the employee personal computer loan program and reimbursements to ensure adequate controls and that policy requirements are followed. The Finance and Accounting Department and the Integrated Systems Services Department will be the primary contact departments. This audit is being deferred to provide greater time and resources to the HR Audit and/or may/may not be incorporated in the HR Audit. Deferred to a future Agency's Policy Review/Audit.

Travel Expenses and Policy Compliance

Review Agency policies and internal controls as they relate to employee travel expenses and reimbursements to ensure adequate procurement methods are followed and policy requirements for appropriate approvals, limits and reimbursements are followed. The Finance and Accounting Department will be the primary contact department. This audit is being deferred to provide greater time and resources to the HR Audit and/or may/may not be incorporated in the HR Audit. Deferred to a future Agency's Policy Review/Audit.

**Internal Audit Department
Fiscal Year 2019/20
Amended Annual Audit Plan**



On-Going Projects for FY 2019/20:

- ❖ Assist with annual CAFR Review and Filing
- ❖ Update IA Annual Audit Plan and corresponding Risk Assessment
- ❖ Provide recommendations to strengthen/streamline policies and procedures
- ❖ Review IA Department and Committee Charters
- ❖ Follow-up evaluations
- ❖ Provide needed support re: audit topics, internal controls and compliance
- ❖ Further utilize capabilities of SAP to enhance IA functions
- ❖ On-going required administrative reporting: such as budget, goals/objectives, staff appraisals, and other administrative related items.
- ❖ Continue to review, update and document IA Policies and Procedures
- ❖ Continuous Professional Development of IA Staff
- ❖ Plan, prepare and coordinate Audit Committee Meetings
- ❖ Utilize the IA site on AIM as an Agency-wide communication tool
- ❖ Provide "audit approach" presentations to requesting departments
- ❖ IAD Quality Assurance and Improvement Program
- ❖ Conduct special requests and/or unforeseen projects
- ❖ Additional Agency-wide and other types of training and meeting requirements

Please refer to the attached, the originally approved Annual Audit Plan for FY 2019/20 for additional information and details about the purpose of the plan, IA and the projects.



***Fiscal Year
2019-2020***

*Internal Audit Department
Annual Audit Plan*

**Submitted by:
Teresa V. Velarde
Manager of Internal Audit Department
June 19, 2019**

The Annual Audit Plan is a plan of audit projects that is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that audits and recommendations evaluate and promote a strong control environment and assist management in achieving organizational goals.



Annual Audit Plan Contents

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Purpose of the Internal Audit Department

According to the Board-approved Charter, the purpose of the Internal Audit Department (Internal Audit or IA) is to assist the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities for reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations, and to provide objective assurance about the Agency's operations.

The purpose of the Internal Audit Department is also to provide consulting services, analyses, recommendations and information concerning the operations of the Agency as a service to management and as a way of adding value to improve the operations of the Agency. Internal Audit assists management and staff in achieving organizational goals and objectives by providing recommendations and advisory services based on results of analysis of the Agency's processes, procedures, governance, internal controls, financial reporting, and compliance with applicable laws and regulations.

The Internal Audit Department follows the guidance of the globally accepted *International Standards for the Professional Practice of Internal Auditing (Standards)* as documented in the International Professional Practices Framework (IPPF) and the Code of Ethics issued by the Institute of Internal Auditors (IIA) (<https://theiia.org>). This guidance is documented in the Internal Audit Department Charter and a requirement in the Internal Audit Department Standard Operating Procedures, as all auditors are required to follow.

The Internal Audit Department reports directly to the Board of Directors through the Audit Committee. The Internal Audit Department has a dotted line reporting relationship to the General Manager and works in cooperation with the Executive Management Team to coordinate audit projects and resources. As described in the Charter and according to the IIA *Standards* and best practices, Internal Audit is an independent function from Agency management, to provide objective analysis and recommendations, as a value-added service for the Board and Agency Management. Independence is essential to the effectiveness of internal auditing and is emphasized by the Institute of Internal Auditors (IIA). The authority and responsibilities of the Internal Audit Department are specifically defined in the Internal Audit Department Charter approved by the Board of Directors.

Mission Statement

The Internal Audit Department seeks to improve the operations of the Agency by providing unbiased and objective assessments to ensure Agency resources are efficiently and effectively managed in order to achieve Agency goals and objectives. The Internal Audit Department will help the Agency achieve accountability and integrity, improve operations and instill confidence among its employees and the citizens it serves by:

- *Promoting a sound control environment.*
- *Providing independent, objective assurance and consulting services.*
- *Improving Agency risk management, control and governance.*
- *Promoting the Agency's vision and mission with a high degree of professionalism.*

Internal Audit Department Values

The Internal Audit Department has adopted the following value statements that form the foundation for the Internal Audit Department:

Independence

As documented in the Charter, the Internal Audit Department is an independent function of the Agency for the purpose of providing independent, objective, unbiased opinions.

Integrity

The Internal Audit Department staff is required to maintain the highest degree of integrity in conducting its audit work.

Professionalism

The Internal Audit Department will perform its work with professionalism at all times.

Collaboration

The Internal Audit Department will foster collaboration with all Agency personnel to promote teamwork within the various business units.



Purpose of the Annual Audit Plan

The Annual Audit Plan (Audit Plan) has been prepared in accordance with recommendations and best practices provided by the Institute of Internal Auditors (IIA). The Audit Plan allows the Manager of Internal Audit to carry out the responsibilities of the Internal Audit Department by prioritizing projects and allocating necessary resources where audit efforts are deemed appropriate and necessary. The Audit Plan is created to assist management and the Board in achieving organization goals and objectives.

The Audit Plan is a flexible plan of internal audit activities and was developed using an appropriate risk-based methodology, including any risks or control concerns identified or communicated by Management, the Internal Audit Department, External Auditors, the Audit Committee's Independent Advisor, the Audit Committee or Board. Additionally, IA discussed with the Agency's legal counsel information that came through the Agency's anonymous hotline, Ethics-Point, to determine if any of the reported items are under the responsibility and scope of IA's activities or should be considered in planning audit projects. The overall objective is to develop a plan consistent with the Agency's goals and objectives, to address the highest risk areas within the Agency and to evaluate and contribute to the improvement of risk management, control and governance processes, additionally to add value by recommending opportunities for improvements to increase effectiveness and efficiency of operations.

To provide practical guidance and an authoritative framework for the development of the Annual Audit Plan, the Internal Audit Department recognizes the following items: Achieving one hundred percent audit coverage each year is not practical or achievable. It should be noted that audit resources are limited; therefore, a system for prioritizing audits has been employed. The Annual Audit Plan must be a flexible plan and should be amended periodically as deemed necessary to reprioritize areas that require attention. In preparing the Annual Audit Plan, consideration is given to the work performed by other auditors, regulatory authorities, established rules, laws and ordinances and the Agency's system of controls. Auditable areas are ranked by knowledge of known or perceived areas of risk and understanding of the systems of internal controls. It should be noted that there are inherent risks, residual risks and limitations with any methodology applied when prioritizing risks and ranking audit projects; risk factors exist with any system of controls.

As stated in the Internal Audit Department Charter, the Manager of Internal Audit will set audit frequencies, select the subjects and set objectives, determine the scope of work and apply the techniques required to accomplish the audit objectives. The Manager of Internal Audit has the authority to deviate from the approved annual Audit Plan, when necessary, and if warranted by unforeseen issues that require immediate attention. The Manager of Internal Audit will use professional discretion and judgment in response to such unforeseen issues and resolve them according to the requirements of the Charter. Significant changes to or deviations from the approved Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee meeting.



Both the IAD Charter and the IIA's Code of Ethics have strict standards of ethical conduct for internal auditors. Internal auditors have a responsibility to maintain independence, ensure integrity, objectivity, confidentiality and competency in work performed.

Annual Audit Plan Methodology

In planning for the Internal Audit projects the following were also considered:

- The Internal Audit Department Charter
- The Audit Committee Charter
- Communications with the Audit Committee and the Board of Directors
- Communications with Executive Management and key Agency personnel
- Communications with the External Financial Auditors
- Communications with the Audit Committee Independent Advisor
- Prior audit findings and recommendations
- Assessed risks in business practices and operations
- Agency's goals and objectives, including activities, developments and changes
- Agency policies & procedures
- Key areas that affect revenue and expenses
- Identified opportunities to improve operations and add value to services
- New audit requirements, audit trends and leading practices
- Audit Department resources

For the Fiscal Year 2019/2020 Annual Audit Plan, the audits were selected based on all things considered as discussed above, the results of audits completed, risks identified, discussions with key individuals and auditor judgement. Significant deviations and changes to the Audit Plan will be communicated to the Audit Committee through an Amended Audit Plan and progress information is provided through Quarterly Status Reports presented to the Audit Committee.



FY 2019/20 Annual Audit Plan:

Human Resources Operational Audit

To evaluate all processes and operations of the Human Resources Department. To evaluate whether department standard operating procedures, policies and guidelines are implemented and followed. To evaluate the department's published mission statement, department purpose, business goals, key performance indicators and workload indicators to determine that those are met effectively and efficiently. To evaluate key functions and compare with other similar agencies. And finally, to follow up on any outstanding recommendations previously provided through other audit reports. The Human Resources Department and the Finance and Accounting Department will be the primary contact departments.

Recycled Water Program – Revenue

Recycled water revenue in FY 2017/18 was approximately \$16.9 million. An audit of this area would determine the accuracy of revenues and identify any additional revenue due the Agency. Additionally, the audit would evaluate that policies and procedures are being followed. The audit would also evaluate whether all reports presented provide complete information that is useful and reliable to the readers. The Finance and Accounting and the Planning departments will be the primary contact departments.

Personal Computer Loan Program and Policy Compliance

Review Agency policies and internal controls as they relate to the employee personal computer loan program and reimbursements to ensure adequate controls and that policy requirements are followed. The Finance and Accounting Department and the Integrated Systems Services Department will be the primary contact department.

Travel Expenses and Policy Compliance

Review Agency policies and internal controls as they relate to employee travel expenses and reimbursements to ensure adequate procurement methods are followed and policy requirements for appropriate approvals, limits and reimbursements are followed. The Finance and Accounting Department will be the primary contact department.

Follow-up Reviews to evaluate the status of outstanding recommendations

As required by the Charters and audit standards, IA will follow up on the status of outstanding recommendations to determine if corrective actions or alternate internal controls were implemented. There are currently 116 outstanding audit recommendations, 85 of which require follow-up action and 31 of which are associated with the renegotiation of the Regional Contract and are deferred. Follow-up reviews are scheduled as noted in the chart on Page 9.

On-Going Projects for FY 2019/20

- ❖ Internal Audit Department Quality Assurance and Improvement Program
- ❖ Assist with annual CAFR Review and Filing
- ❖ Review and update IA Department and Committee Charters
- ❖ Continue to assist with SAP internal control inquiries
- ❖ Continue to participate with the Enterprise Content Management System (ECMS) Committee, Safety Committee and the Technology/Cybersecurity Committee.
- ❖ Provide needed support related to audit topics, internal controls, Agency policies and procedures and compliance items
- ❖ Further utilize capabilities of SAP to enhance IA functions
- ❖ On-going required administrative reporting, such as budget, goals/objectives, staff appraisals, and other administrative items.
- ❖ Conduct special requests and/or unforeseen projects
- ❖ Provide recommendations to strengthen/streamline policies and procedures
- ❖ Update IA Annual Audit Plan and corresponding Risk Assessment
- ❖ Continue to work with auditees to resolve outstanding recommendations
- ❖ Assist with requests for internal controls questions, discussions and evaluations
- ❖ Continue to review, update and document IA Policies and Procedures
- ❖ Continuous Professional Development of all auditors
- ❖ Plan, prepare and coordinate Audit Committee Meetings
- ❖ Utilize the IA site on AIM as an Agency-wide communication tool
- ❖ Unannounced Petty Cash Audits
- ❖ Provide "audit approach" presentations to requesting departments and/or for/within professional associations as a guest speaker



Outstanding Recommendations

The Internal Audit Department Charter requires follow-up action be taken to ensure that management has effectively implemented recommendations or alternate controls have been incorporated to mitigate the risks identified. Follow-up audit work includes detailed testing and verification by Internal Audit staff. Below is a table of the Outstanding Recommendations:

Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA	Planned Follow-Up
Payroll Audit	August 24, 2010	1	Annually
Accounts Payable Follow-Up	August 29, 2013	9	FY 2019
Vehicle Security Procedures	March 3, 2014	2	FY 2020
Follow-Up – IT Equipment Audit – ISS	February 29, 2016	2	FY 2020
Master Trade Contracts	September 1, 2016	6	FY 2020
Follow-Up – IT Equipment Audit – FAD	December 5, 2016	6	FY 2020
Audit of Master Services Contracts	December 5, 2016	3	FY 2020
2017 Petty Cash Audit & Follow-Up Review	June 5, 2017	7	FY 2021
Water Use Efficiency Programs Audit	June 5, 2017	6	FY 2021
Contracts and Procurement Follow-Up Audit	August 30, 2017	1	FY 2021
Payroll Operations Audit	August 30, 2017	6	FY 2021
Procurement Card Audit	March 1, 2018	7	FY 2022
Wire Transfers Audit	March 1, 2018	5	FY 2022
Garden in Every School®	May 31, 2018	7	FY 2022
Warehouse Annual Physical Inventory – IA Inventory Observation Report	August 22, 2018	4	FY 2022
Inter-fund Transactions Audit	August 30, 2018	3	FY 2022
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures	November 29, 2018	3	FY 2022
Water Connection Fees Audit	February 25, 2019	7	FY 2023
Total Outstanding Audit Recommendations		85	
Recommendations related to the Regional Contract Review (these recommendations are planned for full implementation with the renegotiation of the Regional Contract IA will not follow up on these unless requested to do so or after the new contract is executed.)			
Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract

**See the Report of Open Recommendations under separate cover.*

During FY 2018/19, IA reviewed and verified the implementation status of 30 open recommendations related to 7 different audits. The list reports there are 85 open recommendations, of which 24 recommendations relate to audits completed recently. An additional separate 31 recommendations stem from the Regional Contract Review, which will most likely be implemented through the renegotiation of the Regional Contract. Because all audit resources were utilized primarily for this effort, follow-up activities were temporarily on hold. Audit guidelines suggest that an adequate amount of time be granted to provide auditees with sufficient time to implement corrective action plans. Follow-up audit work for some of the open recommendations will be incorporated and completed along with the proposed projects. Required follow-up audit work will include a desk review of supporting documentation, follow-up discussions with the auditee, and/or the application of testing procedures to verify implementation.

Long Range Audit Planning - Additional / Possible Audit Areas

Internal Audit has identified additional audit areas. This list has been compiled as a preliminary list of future potential audits and as a list of additional, important audit areas where audit resources and efforts could be utilized. This is not a comprehensive/complete list. These audit areas have been selected based on identified risks at the time of completing this Audit Plan. If the risk/priority in any of the identified auditable areas increases, IA would perform the required audit/evaluation.

Duplicate Payments/Late Payments/Fees and Penalties

This area was covered during the previous Accounts Payable audit. The goal for this audit is to make this a recurring evaluation to check for the three types of payments (duplicates, late payments or preventable fees and penalties). This audit would cover a greater sample and would implement an audit program to periodically check for these types of payments.

Data Analytics

Fully utilize existing technology to gather additional data and analytical information to assist auditing. In addition, explore and expand utilizing new technology and tools to build and customize dashboards, reports and other analytics tools to assist with audit reviews and monitoring of transactions in various areas, such as payments, payroll, contract payments, etc.

Accounts Payable Audit – Review of Agency Credit Cards

Select a specific vendor or types of payments, for example travel credit cards and gas credit cards to ensure that transactions do not bypass the required procurement processes.

- Review financial transactions and supporting documents
- Evaluate internal controls
- Compliance with policies and procedures

Capital Projects

The external financial auditors have in the past noted deficiencies with the process for closing completed capital projects. Projects were left open long after the project had been completed, therefore, impacting the accounting value of capital assets. This audit would focus on evaluating when open capital projects have been completed and examining when the construction in progress balances are closed to capital assets. The departments primarily engaged are the Finance and Accounting and the Engineering departments.

Various or Other Agreements

Evaluate the variety of special and/or other types of agreements the Agency may have with other agencies or vendors that may or may not be formalized under an official Agency contract. This audit would also evaluate whether the special agreements provide preferential treatment or significant discounts/credits when compared to similar agencies for similar services.



Telephone Expense

The Agency pays for telephone services provided by landline phones, smartphones, and for data connections. Audit areas include the following:

- Determine efficiencies that could be achieved through consolidating billings
- Identify ways to streamline billing processes
- Comparison of charges on different bills to ensure consistency and accuracy
- Identify opportunities for savings
- Evaluate whether phones issued to employees are used for the intended purpose according to Agency policies

Bid and Selection Process for Construction Contracts

To review the bid and selection process to ensure all legal and regulatory requirements are considered in the process, including grant requirements, where applicable, and that all contracts include required language. Additionally, to evaluate the process to award contracts and projects to pre-qualified contractors/vendors and ensure processes conform to legal and Board-approved requirements and are documented in formal operating procedures.

Asset Management

The Agency currently has \$1.1 billion in total assets. An audit of this area would evaluate the accountability and controls to ensure assets are properly recorded in the Agency's financial records. Additionally, to determine if periodic inventories or other valuation processes are performed to validate the amount of assets reported in accounting records.

Operations

Facility Operations, Groundwater Recharge and Organics Management are programs under Operations Administration. The audit scope of any of these areas would focus on permit compliance requirements, preventive maintenance of plants, staff training and staff certifications to operate plants/facilities, chemical and equipment use, and customer service to the service area, where applicable.

Payroll Operations Audit

Payroll Operations Audits were performed in 2010, 2012 and again in 2017. This is a sensitive area that should be continuously monitored and evaluated. This review would be a new audit focusing on any current changes in payroll requirements or Agency policy changes as well as test to ensure employee requested changes took effect. This audit would also focus on any outstanding recommendations that resulted from the prior audits.

Risk Assessment Strategy

The IIA IPPF standard 2120 states that Internal Audit must evaluate the effectiveness and contribute to the improvement of risk management processes.

The IIA IPPF defines Risk as follows:

- **Risk** – The possibility of an event occurring that will have an **impact on the achievement of objectives**. Risk is measured in terms of impact and likelihood and;
- **Residual Risks** – As the risk remaining **after management acts to reduce the impact** and likelihood of an adverse event, including control activities in response to a risk.

The risk assessment is a general assessment performed using best practice guidance, professional judgment and consideration for the impact on the Agency's operations if the targeted units fail to function in the most effective and efficient manner or neglect to comply with required policies. In performing the Risk Assessment for this FY 2018/19 Annual Audit Plan, the following were considered:

- Agency Policies and Procedures
- Communication with the External Auditors
- Communication with the Audit Committee and Board
- Communications with key Agency personnel
- Assessing risks and exposures that may affect the organization
- New Agency activities, developments and major changes
- Key areas that affect revenue and expenses
- Observations resulting from previous audits and reviews
- New audit requirements and trends
- Opportunities to improve operations

Audit Universe

The IIA PPF defines Universe as all possible auditable areas. For the purposes of this Annual Audit Plan, the Universe includes all Agency Departments, operations, contracts, transactions, processes, and activities.



Quality Assurance and Improvement Program

The Institute of Internal Auditing (IIA), International Professional Practices Framework (IPPF) defines a Quality Assurance and Improvement Program: “A Quality Assurance and Improvement Program is designed to enable an evaluation of internal audit activity’s conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.”

Standard 1311 of the IPPF requires that internal assessments include ongoing monitoring of the performance of internal audit activity; and periodic reviews performed through self-assessments.

Standard 1312 of the IPPF requires that external assessments be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.

As part of IA’s commitment for continued quality audit services, beginning FY 2019/20, IAD will perform internal assessments of the IAD. An external assessment by an independent reviewer is planned for FY 2020/21. Results will be presented and discussed at the regularly scheduled Audit Committee meetings.

Audit Committee

INFORMATION
ITEM
2A



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Water Connection Fees (WCF): Follow-Up Audit

Executive Summary:

Internal Audit performed a follow-up review to evaluate the implementation status of two recommendations related to the original February 2019 audit about streamlining the Water Connection Fee process. As a result, both recommendations are now considered implemented.

The Finance and Accounting Department and Planning and Environmental Resources Department staff reported to IA that they had worked closely with the Business Information Systems Department to streamline the Water Connection Fees payment process. The new process records transactions directly into the Agency's accounting system, eliminating duplication and the need to run two separate systems for processing transactions. This new process reduces workload, eliminates double entry into two separate systems, eliminates the need for reconciliations between separate systems, and reduces the number of electronically saved files and manually printed documents.

The final audit report is attached.

Staff's Recommendation:

This is an information item for the Board of Directors to receive and file.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

The Board previously received the Water Connection Fees audit report dated February 25, 2019.

Environmental Determination:

Not Applicable

Business Goal:

The Water Connection Fees: Follow-Up Audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing independent evaluations and audit services of Agency activities and making recommendations to foster a strong ethical and internal control environment, provide efficiencies, safeguard assets and assist management in achieving organizational goals and objectives.

Attachments:


Attachment 1 - Water Connection Fees: Follow-Up Audit Report



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DATE: August 26, 2019

TO: Shivaji Deshmukh
General Manager



FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: WATER CONNECTION FEES: FOLLOW-UP AUDIT

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a follow-up audit of changes to the Water Connection Fees (WCF) process implemented as of July 1, 2019. The follow-up evaluation was performed under the authority given by the IEUA Board of Directors and the Fiscal Year 2018/19 Annual Audit Plan. As required by the Internal Audit (IA) Department's Charter and the Annual Audit Plan, IA must follow-up on the status of open audit recommendations to determine whether corrective actions have been taken.

Audit Scope

The purpose of this follow-up audit was limited to understanding and reviewing the new streamlined WCF process to determine whether the relevant recommendations from the February 25, 2019 WCF audit report had been implemented. That report can be obtained from the Agency intranet website or by contacting IA.

Acknowledgements

Internal Audit would like to extend our appreciation to the Planning and Environmental Resources Department (Planning) and Finance and Accounting Department (FAD) staff for their cooperation and assistance during this review.

Discussion with Management

IA provided the results of this review to Christina Valencia, Executive Manager of Finance and Administration/AGM; Craig Proctor, Ken Tam and Branden Hodges in Planning; and Javier Chagoyen-Lazaro, Suresh Malkani and Christine Thompson in FAD on August 21, 2019. Where possible, comments have been incorporated.

If you have any questions or need additional information, please contact me at Extension 1521 or at tvelarde@ieua.org.

Water Smart - Thinking in Terms of Tomorrow

Paul Hofer
President

Jasmin A. Hall
Vice President

Kati Parker
Secretary/Treasurer

Michael Camacho
Director


Steven J. Elie
Director

Shivaji Deshmukh
General Manager

Water Connection Fees: Follow-Up Audit

Background

An early July edition of the IEUA General Manager's weekly update included information about the streamlining of the Water Connection Fee (WCF) process:



IEUA THIS WEEK
07/11/2019

- **New Water Connection Fee Processing in SAP** – The Agency began processing the water connection fee payments using SAP on July 1st. Prior to this, processing payments involved coordination among various staff from Pretreatment & Source Control, Planning & Water Resources and Accounting to synchronize entries and adjustments in separate databases. Presently, data is entered into SAP initially and is immediately available for Accounting to process with minimal need for external coordination. This new process saves time and improves data accuracy.

Additionally, FAD staff discussed the implementation of the single-entry SAP process for WCF payments with IA to note that it was working efficiently, and they appreciated the audit recommendations. This prompted IA's follow up of the process which found that two of the original recommendations from February 2019 have been implemented and the others are in progress.

Status of two Open Recommendations from the 2019 Audit Report:

The relevant original recommendations from that audit report were:

Recommendation #1

Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.

Recommendation #3

If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.

To validate that these Recommendations had been implemented, IA met with Planning and with FAD's billing staff to understand the changes in their procedures, to understand the current process and to compare the new process to IA's understanding of the previous process. IA also performed a walkthrough of the current process by following a sample transaction from the point that a developer initially contacted the Agency about a new water connection to the point where the cash had been received and the revenue recognized by the Agency. IA also verified that all source documents were consistent with the information processed in SAP.

IA noted that BIS coordinated with Planning and FAD to implement a single-entry process that ensures that all water connection fee transactions are entered into SAP directly to provide invoices and issue receipts. This new process reduces workload, eliminates double entry into two separate systems, eliminates the need for reconciliations between separate systems and reduces the number of electronically saved files and manually printed documents.

Staff in both the Planning and FAD appreciated the new procedures and the efficiencies that have resulted from fully utilizing SAP. IA considers both recommendations as having been implemented.

According to staff, all other recommendations are in the process of being implemented and progress has been made to address those observations that were noted. Follow up reviews of the remaining items will be scheduled through the Annual Audit Plan.

ATTACHMENT 1

Status of the 2019 Follow-Up Audit Recommendations

Rec #	Recommendation	Implemented or mitigating control established	Review deferred to future audit
1	<i>Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.</i>	X	
2	Planning should take the lead to continue to work with the contracting agencies and water districts to ensure the water connection fees information in the Agency's systems is reconciled to the building permits and/or water meters that have been issued by the contracting agencies and water districts (ideally quarterly, but at least semi-annually).		X
3	<i>If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.</i>	X	
4	Based on their experience in collecting fees Planning staff should provide Executive Management and the Board their suggestions and proposed updates for revised wording to the water connection fee Ordinance and Resolution for their consideration.		X
5	Planning staff should work to update and finalize their draft SOP to document various tasks and procedures associated with the water connection fee process, including the processes to work with FAD and the contracting agencies/water districts.		X
6	Planning should continue to work with the Agency's executive management to pursue all possible approaches, including establishing agreements or other methods to ensure water connection fees are collected as intended by the Board approved Ordinance.		X
7	FAD should take the lead and work to pursue the collection of delinquent fees through various methods, including the lien process as provided under the Board approved Ordinance.		X
Totals		2	5

Audit Committee

**INFORMATION
ITEM
2B**



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report

Executive Summary:

The annual inventory count is performed near the end of the fiscal year and before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. The annual inventory count is a recommended best practice and internal control.

Each year, IA observes the Agency's physical inventory count at the Agency's Warehouse. Additionally, from time to time, the external financial auditors may ask about the physical inventory count or schedule a separate spot check as part of their annual financial audit. During the inventory observation, IA evaluated the status of the four recommendations made in the prior year and determined that all four recommendations had been implemented.

In addition, IA supports Warehouse staff's suggestions to consider expensing supplies and consumables items when received and storing these separately from items accounted for in the physical inventory. IA also supports the suggestion to consider discussing a reduction in the frequency of overall physical inventory counts with the external auditors if the value of total inventory continues to decline (particularly if supplies and consumables are expensed and obsolete inventory is written-off) and cycle counts continue frequently and accurately. The attached report provides details of the recommendations.

Staff's Recommendation:

This is an information item for the Board of Directors to receive and file.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 19, 2019, the Board approved the Internal Audit Annual Audit Plan. The Warehouse review was approved in the Annual Audit Plan.

On September 19, 2018, the Board received the 2018 Internal Audit Inventory Observation Report.

Environmental Determination:

Not Applicable

Business Goal:

The Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that IA's recommendations foster a strong control environment, safeguard assets, ensure financial transactions are accurate and assist management in achieving organizational goals and objectives.

Attachments:

Attachment 1 - Warehouse Annual Physical Inventory - Internal Audit Inventory Observation Report



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DATE: August 21, 2019

TO: Shivaji Deshmukh
General Manager

FROM: Teresa V. Velarde
Manager of Internal Audit

**SUBJECT: Warehouse Annual Physical Inventory –
Internal Audit Inventory Observation Report**

Audit Authority

The Internal Audit Department (IA) observed the year-end annual physical inventory at the Inland Empire Utilities Agency's (IEUA or Agency) Warehouse. The observation was performed under the authority given by the IEUA Board of Directors as documented in the IA Charter.

Audit Objective and Scope

The annual inventory count is a process performed before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. Additionally, the annual inventory count is a recommended best practice and internal control.

IA performs an annual quality control review of the Agency's CAFR prepared by the Finance and Accounting Department (FAD). Each year, IA observes the Agency's annual physical inventory count at the Agency's Warehouse. Additionally, from time to time, the external financial auditors ask about the annual physical inventory count or schedule a separate spot check as part of their annual financial audit. This report describes the results of the inventory count and provides recommendations for consideration.

Discussion with Management and Responses to Internal Audit

IA provided the results of this review to Warehouse and FAD management on August 14, 2019 and on August 15, 2019 for their review and comments before finalizing and their responses have been incorporated where applicable.

TV:ps

Water Smart - Thinking in Terms of Tomorrow

Paul Hofer
President

Jasmin A. Hall
Vice President

Kati Parker
Secretary/Treasurer

Michael Camacho
Director

Steven J. Elie
Director

Shivaji Deshmukh
General Manager

Warehouse Annual Physical Inventory – Internal Audit Inventory Observation Report

Background

The Warehouse operates from an 8,000-square foot corrugated metal building on the grounds of Regional Plant No. 1. The main function of the Warehouse is to act as a repository, control point, central receiving and storage location for the Agency's physical inventory items. The Warehouse stocks items ranging from plumbing and electrical items to computer paper and janitorial supplies. According to information in SAP, the Warehouse currently has approximately \$1.3 million in total inventory (2018 CAFR shows \$1,389,712).

Inventory Process

The inventory count was conducted on June 17, 2019. The physical inventory count process proceeded effectively as both the inventory count teams and FAD staff used numerous "best practices", including:

- FAD staff used written inventory procedures with steps to follow during the inventory count.
- The Warehouse staff had suspended all receipts and deliveries as of the end of the prior week to ensure the Accounting records would be synchronized with the physical quantities on hand.
- FAD staff printed pre-numbered count sheets from SAP organized by aisle, row and drawer/shelf column to facilitate the count.
- The pre-numbered count sheets did not provide any information about quantities on-hand, so all counts were performed without knowledge of expected totals.
- The inventory counts were completed by two-person teams.
- The count numbers were entered into SAP as the inventory count progressed, providing real-time feedback of variances.
- The pre-numbered count sheets were reconciled for completeness at the end of the count to ensure all pages had been returned.
- An SAP-generated exception report with a listing of significant high-dollar exceptions along with recount sheets was used to perform a second count and reconcile differences.
- In addition to the annual physical inventory count, Warehouse staff perform monthly cycle counts, randomly selecting 50 inventory items each month as an additional inventory management function. Any inaccuracies noted during the cycle counts are adjusted in the Agency's accounting records with the goal of continually improving inventory accuracy.

Resolution of prior year Internal Audit recommendations

As part of observing the physical inventory count, IA performed follow-up procedures on recommendations from the prior year.

Obsolete Inventory:

Prior year Recommendations:

- 1. Warehouse staff should continue their efforts to evaluate more recent inventory for obsolete items and communicate with appropriate FAD staff about their estimates of potentially obsolete items.*
- 2. Finance and Accounting staff should communicate with Warehouse staff about their professional estimate of potentially obsolete inventory and accrue adequate reserves against inventory to reflect this decrease in inventory value (and thereby decrease in total assets), this procedure will ensure that the financial statements reflect the value of usable inventory.*

Status: Implemented

Warehouse staff stated that they have reviewed all items that have been acquired but not been used for all years before 2011 (no utilization for items from 2010 and earlier years) for obsolescence and are expanding that review to 2015 for the coming fiscal year. They have made inquiries of the relevant Agency department about those items and then obtained supervisor permission to mark as obsolete any items not expected to be used in the future. IA reviewed information in SAP about obsolete inventory and inventory obsolescence reserves. IA confirmed that for the fiscal year ended June 30, 2018 a reserve for obsolescence of \$130,000 was established (JV0618-132) that consisted of \$106,535 of items Warehouse staff had identified as obsolete along with an additional reserve estimate of more recent obsolete items of \$23,465. In the current year, Warehouse staff has identified additional obsolete items totaling \$95,938 that IA verified is included in the Scrap Account for the fiscal year ending June 30, 2019. Warehouse staff also showed IA a \$100,000 reserve for obsolescence that has been established in SAP for potentially obsolete items. As a result of the actions taken by Warehouse and FAD staff this recommendation is considered implemented.

Inspection of Inventory during Receiving:

Prior year Recommendation:

- 3. Warehouse staff should provide clear documentation and evidence of what steps have been taken to verify that receipts are complete and intact when taken into inventory and ensure that their receiving instructions are followed in all instances.*

Status: Implemented

After the exception noted during the 2018 Inventory count (1,500 nozzles were shown as received, but the physical count only found 1,330) Warehouse receiving instructions and processes were reemphasized and improved. Warehouse staff showed IA how the process starts with the purchase requisition which is printed in the Warehouse office and placed alphabetically in a filing cabinet in the Receiving area. When goods are received the items are counted and verified against the packing slip. This is indicated by circling the quantity, if correct. Each Warehouse staff member involved in Receiving has their own stamp with their initials which they stamp on the packing slip to indicate that they have completed the count. The packing slip and purchase requisition are compared and

then returned to the Warehouse office for further processing. As a result of the actions taken by Warehouse staff this recommendation is considered implemented.

Computer Waste Storage:

Prior year Recommendation:

- 4. In addition to the separate established storage area for computer waste, Warehouse staff should ensure that any overflow electronic waste be stored somewhere that remains separate from Warehouse inventory rather than storing it together with inventory items as a best practice and internal control.*

Status: Implemented

During the inventory observation, IA inspected the Warehouse Department's separate inventory cage. All computer waste had been removed and only larger inventory items were neatly stored in this area. Warehouse staff also showed IA the new separate storage locker where computer waste is stored until disposal. IA observed a number of obsolete electronic and computer waste items waiting for disposal. As a result of the actions taken by Warehouse staff this recommendation is considered implemented.

Internal Audit Observations

IA made observations during the current year's physical count and supports the suggestions made by Warehouse staff, these should be discussed further with other Agency departments and management:

- 1. Supplies and Consumables Items in Inventory:**

IA noted that the Warehouse carries a wide variety of items to provide support to the Agency's various facilities. These items include many that were counted as part of the physical inventory that have little or no value but are important supplies items. These are items such as plastic zip-ties, boxes of tissues, bars of soap, flashlight batteries and similar items. Although it is important for the Warehouse to stock all of these items so that they are available to the various IEUA operating locations, not all of them may need to be included in the Agency's financial records as physical inventory.

Warehouse staff confirmed that all items that are included on the inventory lists are included in the inventory asset total. Warehouse staff also confirmed that there is no dollar threshold as to what is stocked in inventory and inclusion is based on the consumption/usage of the items at the Agency as confirmed through orders for the items by various Agency departments. Warehouse staff also noted that Agency administrative locations (such as HQA and HQB) order such items directly from external suppliers and they are expensed immediately.

Warehouse staff and Agency management may want to consider expensing supplies items when they arrive at the Warehouse and storing them in a separate "supplies" location. Such supplies could be re-ordered whenever they run low but would be available for delivery to the Agency plants and other locations. Storing

supplies items in designated areas at various Agency locations will make space available for higher priority inventory items in the Warehouse.

IA supports Warehouse staff in considering whether supplies and consumables should be expensed when received rather than maintained as inventory. Additionally, IA suggests that supplies and consumables be stocked in designated areas at the various Agency locations, similar to office and coffee supplies. Warehouse staff should work with the affected departments on this issue.

Warehouse management states that they are considering the idea of storing “consumables” in a designated and controlled area and thus allowing it to be removed from the “true” inventory count. They state that the biggest limitation is space. Without the proper conditioned environment some of the supplies might suffer from extreme temperatures and could end up as waste. Warehouse management will work on this and determine the best way to go about it.

2. Physical Inventory Count: A regular annual physical inventory count has been performed for the past three years. Prior to that the physical inventory count was performed every other year. Warehouse staff has improved their control over the accuracy of inventory levels over the past three years, and at the same time the total value of inventory has declined because obsolete items have been removed.

IA has noted improvements in accuracy: Warehouse staff has instituted monthly counts on a random selection of inventory items. In addition, this year’s count found only 35 items out of a total of over 28,000 items with a variance during the physical count. Finally, both last year and this year resulted in only minor, immaterial adjustments to the value of inventory in SAP.

IA has noted declines in total inventory value: Warehouse staff has continued to evaluate inventory for obsolete items. They stated that they have reviewed all items with no usage since 2014 or longer and believe they are essentially up to date on their obsolescence review. In addition, Warehouse staff showed IA a reserve amount of \$100,000 in SAP for potentially obsolete items. Finally, the value of total inventory has been declining by approximately \$100,000 each year, so that the inventory now only amounts to about \$1.3 million. The value of the total inventory would be reduced even further if supply items were expensed when received.

IA supports the Warehouse staff suggestion that FAD consider discussing the materiality of the physical inventory with the external auditors with the goal of possibly reducing the frequency of the overall physical inventory count to an every-other year basis if the value of total inventory continues to decline (particularly if “supplies and consumables” items are expensed and obsolete inventory is written off regularly) and staff continues to perform cycle counts on a regular monthly basis.

INFORMATION
ITEM
2C



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Agency Vehicle Operational Audit: Review of Vehicle Security Procedures Follow-Up

Executive Summary:

The Internal Audit Department Charter requires Internal Audit (IA) follow-up on outstanding recommendations to determine if corrective actions have been taken. The follow-up reviews are scheduled through the Board-approved Annual Audit Plan and Executive Management supports the implementation efforts of the recommendations.

IA evaluated the implementation status of the two remaining recommendations from the original Agency Vehicle Operational Audits completed in 2014 and the first follow-up in 2018. The recommendations were under the oversight of the Contracts and Procurement (CAP) Department. The two recommendations are now considered implemented. As a result of the audit, CAP now relies on only one spreadsheet to inventory and account for the 552 gate transmitters, which provides access to the Agency's facilities. Additionally, the department complies with Agency Policy A-24 regarding the administrative requirements for recording gate transmitter issuances. IA continues to encourage and recommend tighter controls over the gate transmitter database to ensure accountability over all issuances, by keeping the database current and accurate through periodic reconciliations and supervisory review.

Staff's Recommendation:

This is an information item.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Full account coding (internal AP purposes only):

- - -
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Project No.:

Prior Board Action:

On June 19, 2019, the Board approved the Fiscal Year 2019/20 Annual Audit Plan. The Agency Vehicle Follow-Up Audit (Review of Vehicle Security Procedures) was scheduled in the Annual Audit Plan.

On September 19, 2018, the Board received and filed the first Agency Vehicle Operational Follow-Up Audit Report. On March 19, 2014, the Board received and filed the original Agency Vehicle Operational Audit Report.

Environmental Determination:

Not Applicable

Business Goal:


The Agency Vehicle Operational Follow-Up audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by ensuring that the recommendations provided foster a strong control environment, safeguard assets, provide a safe work environment and assist management in achieving organizational goals and objectives.

Attachments:

Attachment 1 - Agency Vehicle Operational Audit: Review of Vehicle Security Procedures Follow-Up Report



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DATE: August 29, 2019
TO: Shivaji Deshmukh
General Manager
FROM: 
Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Agency Vehicle Operational Follow-Up Audit: Review of Vehicle Security Procedures – Gate Transmitters

Audit Authority

This follow-up review was performed under the authority provided by the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors. The Internal Audit (IA) Department’s Charter and the Fiscal Year 2019/20 Annual Audit Plan require that IA follow-up on the status of outstanding recommendations to determine if corrective actions were taken.

Audit Objective and Scope

IA completed a follow-up review of the two outstanding recommendations related to the Agency Vehicle Operational audits completed in 2014. The recommendations required that Contracts and Procurement (CAP) take the lead to inventory and account for assigned and unassigned gate transmitters and ensure the appropriate documentation is on file. Gate transmitters provide entry access to Agency facilities and are assigned to employees, contractors or to specific vehicles. IA did not expand the scope of the review to evaluate additional areas or operations within the CAP Department, further reviews will be scheduled through the Board-approved Annual Audit Plan.

Acknowledgements

IA would like to extend our appreciation to the CAP Department for their cooperation and assistance during this follow-up review.

Discussions with Management

The results of this follow-up review were provided to Warren Green, Manager of CAP and Christina Valencia, Executive of Finance and Administration/Assistant General Manager on August 22, 2019 for their review and comments, prior to finalizing this report.

Water Smart - Thinking in Terms of Tomorrow

Paul Hofer
President

Jasmin A. Hall
Vice President

Kati Parker
Secretary/Treasurer

Michael Camacho
Director

Steven J. Elie
Director

Shivaji Deshmukh
General Manager

Background

In August 2018, Internal Audit (IA) completed a follow-up review to assess the implementation status of the five original recommendations under the oversight of the Contracts and Procurement (CAP) Department. As a result of the follow-up review in 2018, two recommendations were considered implemented, one recommendation was no longer applicable, and two recommendations remained outstanding. This report provides a status of those two open recommendations and both have now been implemented.

Gate transmitters provide access to the Agency's facilities and are issued by CAP. Each gate transmitter is assigned to an employee, contractor, Agency location and/or vehicle, and when requested by staff more than one gate transmitter can be assigned. According to current Agency policy, the "Gate Transmitter Form" must be completed and signed prior to a gate transmitter being issued. CAP is responsible for the record-keeping requirements for the gate transmitters, including: ensuring the signed forms are on file, accounting for unissued gate transmitters, and maintaining inventory of the gate transmitters on a spreadsheet. As of August 19, 2019, the Agency has a total of 552 gate transmitters of which 509 are currently assigned.

The purpose of this follow up was to evaluate controls and procedures over the issuance and inventory of gate transmitters over access and security. Gate transmitters provide the ability to open Agency facilities, and therefore provide access to Agency personnel and assets. Controls are necessary to ensure there is a record of the individuals who have gate transmitters, and ensure those individuals understand their responsibilities when issued one.

Review of Vehicle Security Procedures

Follow-up review to the Audit Report dated August 30, 2018 and March 3, 2014

Agency Policy A-24 (last revised 7/24/2015) governs the issuance and inventory of gate transmitters, which is a remote control that is issued to employees, contractors, and fleet vehicles to open the gates that provide entrance into the Agency's treatment plants, facilities, parking lots, etc. CAP is responsible for the acquisition, inventory, issuance, deactivation, and/or disposal of all Agency gate transmitters.

2014 Original Recommendation #1:

CAP should take the lead to properly inventory and account for all assigned and unassigned gate transmitters. CAP should continuously work with department managers who request gate transmitters to monitor and revise access based on staff duties and responsibilities. CAP should promptly deactivate any improperly assigned/unassigned gate transmitters or for those employees and contractors that separate employment from the Agency.

Status: Implemented

2014 Original Recommendation #2:

CAP should ensure the appropriate signed gate transmitter form is maintained on file for all issued gate transmitters. Additionally, CAP should ensure the employee/contractor who is issued a gate transmitter understands the requirements of Agency Policy A-24 "Issuance and Inventorying of Gate Transmitters and Keys to Agency Facilities, Vehicles and/or Equipment." This can be done at the time the employee/contractor is issued the gate transmitter via the signed form and is provided a copy of the Agency policy.

Status: Implemented

The original 2014 audit found that gate transmitters were not always properly assigned and/or accounted for. Additionally, the required form was not available for all gate transmitter issuances. IA noted that without proper accountability for gate transmitters, it is not possible to determine the gate transmitters that have been issued to employees or contractors. IA recommended that CAP take the lead and properly inventory and account for all assigned and unassigned gate transmitters, and ensure the appropriate signed forms are on file.

The 2018 follow-up evaluation found that CAP used multiple excel spreadsheets to account for the Agency's gate transmitters. Additionally, forms selected for review were not all available and it was determined that issuances were made without retaining the proper form on file.

As a result of IA's initial 2018 follow-up review, CAP began to use only one reconciled spreadsheet and made the necessary updates to serve as the main database for tracking and inventorying the Agency's gate transmitters. IA recommended tighter and stricter controls were needed to properly account for all the gate transmitters, and consider adding other useful information to the spreadsheet (i.e. reason for request/issuance, note "employee" or "contractor" to specify who the names refer to, the date transmitter was returned, and so on). For the 2019 follow-up review, IA noted the following:

- The database is one Excel workbook with two spreadsheets used to inventory and account for the Agency's gate transmitters. One spreadsheet is used to record the assigned and unassigned gate transmitters, while the other spreadsheet is used to record gate transmitters that have been deactivated, lost or disposed of. IA examined the spreadsheets as of August 19, 2019 and noted the following exceptions:
 - The spreadsheet contains 552 records, with information for the gate transmitter assignments, however, there are only 551 unique gate transmitter numbers. *CAP was not able to reconcile and determine if there are 551 or 552 records/assignments. CAP should periodically review the database to ensure it is accurate.*
 - Of the 552 items on CAP's spreadsheet 7 gate transmitter numbers (06563, 14016, 33598, 33615, 33622, 50641, and 50642) were listed twice on the spreadsheet. For example, gate transmitter #06563 is listed as assigned to a vehicle and also to an employee. *As a result of IA's review, CAP researched the information and updated the database; 6 transmitters had duplicate line items and deleted from the spreadsheet, while the information for one transmitter was incorrect and updated after our review.*

- Of the 552 items on CAPs spreadsheet 3 gate transmitter numbers (33621, 33496, and 45398) were found on both, the active and deactivated lists. As a result of IA's review, CAP researched and updated their records.

As a result of IA's review, IA notes that CAP has made improvements in accounting for the Agency's gate transmitters, but tighter controls are still required to ensure the record-keeping information of the database is current, accurate, and up to date. CAP should perform on-going reconciliations and implement periodic supervisory reviews.

Because CAP has made efforts to keep the inventory list current to account for the gate transmitters, IA has determined the action taken meets the intent of the original recommendation and considers **Recommendation #1** to be implemented.

Additionally, as part of this follow-up review, IA selected 10 of 552 gate transmitters issued to an employee, location/vehicle or contractor, to verify the appropriate form is on file. For the 10 issuances, IA noted that the appropriate forms were on file. IA considers **Recommendation #2** to be implemented.

Based on the results of this follow-up review, CAP should implement tighter controls over the gate transmitter database to keep it current and accurate to ensure accountability over all gate transmitters. Keeping the database current and accurate requires on-going review, updates and reconciliations. CAP staff should perform periodic reconciliations of the gate transmitters spreadsheet to verify and validate the information. Spreadsheets should be periodically reviewed by a supervisor to ensure its accuracy. CAP should consider adding other useful information to the database such as issuance/return date, reason for request/issuance, specify or note "employee, contractor or Agency location/vehicle", or date returned, etc.

The Agency Vehicle Operational Follow-Up audit is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by providing independent evaluations and audit services of Agency activities and making recommendations to foster a strong ethical and internal control environment, provide efficiencies, safeguard assets and assist management in achieving organizational goals and objectives.

TV:sn

Audit Committee

**INFORMATION
ITEM
2D**



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Report of Open Audit Recommendations as of September 2019

Executive Summary:

The Board-approved Internal Audit Department (IA) Charter requires IA to provide the Audit Committee and the Board with a report listing all outstanding recommendations including action plans and expected resolution dates annually. The Charter and professional standards also require IA staff to follow-up on the status of outstanding audit recommendations to determine if corrective action efforts have been made to address the original observation or finding. Last quarter, IA provided the list of open recommendations to the Audit Committee as of June 2019. Clarification is being provided on the number of recommendations that are due for review or do not require follow-up at this time. As of September 2019, a total of 86 recommendations remain outstanding. Of the 86, 21 recommendations are planned to be reviewed in the current fiscal year; 20 recommendations are expected to be reviewed in the following fiscal year; 45 recommendations do not require follow-up because they were provided in the last 18 months. Additionally, 31 recommendations relate to the renegotiation of the Regional Contract. Attached is a report showing the breakdown of the recommendations with the planned follow-up date and the current status of each one. Follow-up reviews are scheduled according to the proposed Annual Audit Plan or sooner if requested by management, the Audit Committee, the Board, or if risk and/or priority increases for the area reviewed.

Staff's Recommendation:

This is an information item.

Budget Impact *Budgeted* (Y/N): N *Amendment* (Y/N): N *Amount for Requested Approval:*

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

None, only when additional outside auditing or consulting services are required to provide assistance to IA or fulfill the responsibilities of the Audit Committee. A proposal with proposed fees would be submitted through the Audit Committee for appropriate action. Additionally, some audit projects are intended to identify opportunities for cost containment.

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and Internal Audit Department Charters.

On June 19, 2019, the Fiscal Year 2019/20 Annual Audit Plan was approved by the Board of Directors as an Action Item and the Report of Open Audit Recommendations (as of June 2019) was provided to the Board of Directors as an information item.

Environmental Determination:

Not Applicable

Business Goal:

The Report of Open Audit Recommendations is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices. IA's ongoing monitoring activities are to follow-up on the status of open audit recommendations to determine if the Agency has taken corrective action to address issues identified and to assist the Agency in achieving organizational goals.

Attachments:

Attachment 1 - Background

Attachment 2 - Report of Open Audit Recommendations as of September 2019

Background

Subject: Report of Open Audit Recommendations as of September 2019

Below is a breakdown of the outstanding recommendations by the anticipated planned follow-up:

Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA*	Planned Follow-Up
Accounts Payable Follow-Up <i>(Deferred Recommendations related to Agency Policies)</i>	August 29, 2013	2	FY 2020
Vehicle Security Procedures	March 3, 2014	2	FY 2020
Follow-Up – IT Equipment Audit – ISS	February 29, 2016	2	FY 2020
Master Trade Contracts	September 1, 2016	6	FY 2020
Follow-Up – IT Equipment Audit – FAD	December 5, 2016	6	FY 2020
Audit of Master Services Contracts	December 5, 2016	3	FY 2020
2017 Petty Cash Audit & Follow-Up Review	June 5, 2017	7	FY 2021
Water Use Efficiency Programs Audit	June 5, 2017	6	FY 2021
Contracts and Procurement Follow-Up Audit	August 30, 2017	1	FY 2021
Payroll Operations Audit	August 30, 2017	6	FY 2021
Procurement Card Audit	March 1, 2018	7	FY 2022
Wire Transfers Audit	March 1, 2018	5	FY 2022
Garden in Every School	May 31, 2018	7	FY 2022
Warehouse Annual Physical Inventory – IA		4	
Inventory Observation Report	August 22, 2018		FY 2022
Inter-fund Transactions Audit	August 30, 2018	3	FY 2022
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures	November 29, 2018	3	FY 2022
Water Connection Fees Audit	February 25, 2019	7	FY 2023
Accounts Payable Follow-Up Audit	May 30, 2019	5	FY 2023
Voyager Fuel Card Audit	May 30, 2019	4	FY 2023
Total Outstanding Audit Recommendations		86	

Recommendations related to the Regional Contract Review (these recommendations are planned for full implementation with the renegotiation of the Regional Contract IA will not follow up on these items until the renegotiation has been finalized)			
Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract

Of the 86 audit recommendations:

- 1) 21 recommendations are planned to be reviewed in the current fiscal year (approximately 25%)
- 2) 20 recommendations are expected to be reviewed in the following fiscal year (approximately 23%)
- 3) 45 recommendations that are highlighted in gray do not require follow-up as the issuance date is within the last 18 months (approximately 52%)
- 4) 31 recommendations relate to the renegotiation of the Regional Contract.

**The Outstanding Recommendations Table does not update the status of recommendations resolved by follow-up audits during the current quarter or add any new recommendations resulting from the projects completed during this quarter (as noted in this Status Report). The table is revised for current changes once all items have been received by the Audit Committee and the Board of Directors. A revised and updated table is provided with each status report and annually.*

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Accounts Payable Follow-Up Audit August 29, 2013	4	AFM should work with the appropriate Agency personnel to update Agency policies and remind employees of the requirements of Agency Policy A-12, Employee Personal Computer Purchase Program; Policy A-37, Reimbursement for Attendance at a Conference, Seminar or Meeting; Policy A-50, Non-Purchase-Order Invoice Approval Procedures; Policy A-55, Agency Credit Cards; and Agency Policy A-14 Vehicle Use.	IA provided the results of the Accounts Payable Follow-Up audit to the Audit Committee in June 2019. <i>Recommendation deferred to another audit related to Agency Policies scheduled for December 2019.</i>
Accounts Payable Follow-Up Audit August 29, 2013	5	Human Resources department, in conjunction with Information Support Systems, should ensure that loans for personal computers are not approved for items not covered by the loan program as described in Agency Policy A-12. Additionally, consider revising Agency Policy A-12 to clarify the applicability of the computer loan program to tablet computers and operating systems other than Microsoft Windows.	IA provided the results of the Accounts Payable Follow-Up audit to the Audit Committee in June 2019. <i>Recommendation deferred to another audit related to Agency Policies scheduled for December 2019.</i>
Vehicle Security Procedures March 3, 2014	1	CAP should take the lead to properly inventory and account for all assigned and unassigned gate transmitters. CAP should continuously work with department managers who request gate transmitters to monitor and revise access based on staff duties and responsibilities. CAP should promptly deactivate any improperly assigned/unassigned gate transmitters or for those employees and contractors that separate employment from the Agency.	IA to verify during follow-up evaluation. IA to verify during the follow-up evaluation in FY 2019/20.
Vehicle Security Procedures March 3, 2014	2	CAP should ensure the appropriate signed gate transmitter form is maintained on file for all issued gate transmitters. Additionally, CAP should ensure the employee/contractor who is issued a gate transmitter understands the requirements of Agency Policy A-24 "Issuance and Inventorying of Gate Transmitters and Keys to Agency Facilities, Vehicles and/or Equipment." This can be done at the time the employee/contractor is issued the gate transmitter via the signed form and is provided a copy of the Agency policy.	IA to verify during follow-up evaluation. IA to verify during the follow-up evaluation in FY 2019/20.
Regional Contract Review - Final Report December 16, 2015	Overall	Consider legal, political and financial impacts of governing by ordinance vs. contract	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	Overall	Review and revise EDU formula	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	Overall	Resolve identified differences of over/under collected amounts of Connection fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	1	Connection Fees: Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	Connection Fees: IEUA should establish monitoring program to inspect random facilities and those were there is a suspected discrepancy	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	Connection Fees: Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	Connection Fees: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	Connection Fees: Two tier connection fees process that distinguishes between common features and unique features (i.e., a toilet always costs the same regardless of type of business)	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	6	Connection Fees: Update Exhibit J regularly to include new/evolving business types	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	7	Connection Fees: Update & clarify Fixture Unit descriptions of Exhibit J regularly	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	8	Connection Fees: Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	9	Connection Fees: IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	10	Connection Fees: Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	11	Connection Fees: IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	12	Connection Fees: Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	1	Monthly Sewerage: Collect monthly sewerage fees for the entire region through County's property tax roll	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	Monthly Sewerage: Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	Monthly Sewerage: Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	Monthly Sewerage: Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	Monthly Sewerage: IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	6	Monthly Sewerage: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	7	Monthly Sewerage: Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	8	Monthly Sewerage: Create a correlation between monthly sewerage fees and Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	9	Monthly Sewerage: Add billing guidance for locations with multiple types of businesses serviced by a master meter	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	10	Monthly Sewerage: Bill commercial businesses at least a minimum of one EDU per month	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	1	Public Service Facility: Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	2	Public Service Facility: Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	3	Public Service Facility: Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	4	Public Service Facility: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	5	Public Service Facility: Address difference between "Publicly Owned" vs. "Publicly Used"	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
Regional Contract Review - Final Report December 16, 2015	6	Public Service Facility: Consider cross-departmental approach to the development review process as a regional model	Recommendation to be addressed as part of the Renegotiation of the Regional Contract. IA will follow-up at that time.
IT Equipment August 21, 2012 (February 29, 2016 Follow-Up)	3	ISS implement appropriate tracking systems that include relevant information on IT purchases (i.e., serial numbers, etc.), are updated timely and are complete and accurate. ISS should establish procedures to enter, modify, and delete information in the tracking systems that address areas such as timeliness for updates, responsibilities for maintaining the systems, and the types of items included in the tracking system.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment November 14, 2012 (February 29, 2016 Follow-Up)	1	ISS should ensure that any services procured with P-cards are expressly authorized by the Manager of CAP, CFO, AGM, or GM prior to committing to services.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
Master Trade Contracts September 1, 2016	1	IA recommends that even in instances where a difference department has primary responsibility for the proposal evaluation process, CFS work with the end-user department to ensure the information is communicated to the Board of Directors accurately reflects the signed contract terms. Additionally, CFS should determine the need to request from the evaluating department the evaluation documentation, or a staff memo summarizing the selection process and have it available/filed.	Both CAP and CM stated they would begin steps to implement. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	2	IA recommends that CFS work with BIS to research built-in tools within SAP to implement automated controls necessary to ensure that spending on contracts and groups of contracts do not exceed Board approved limits and determine the cost benefit of implementing those monitoring tools.	Both CFS and BIS stated they would work together to evaluate implementation. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	3	IA supports and encourages the initiative to fully implement the Agency's Enterprise Content Management System (ECMS) - Laserfiche. CFS should continue to work closely with BIS to implement the Agency's ECMS - Laserfiche to assist with the organization and centralizing of contract documents, facilitate research and access to information, streamline recordkeeping and eliminate multiple copies of the same documents.	Both CFS and BIS stated they would work together to evaluate implementation. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	4	IA recommends that CFS enhance communications about the Agency's ethical procurement responsibilities and expectations to all Agency employees as well as Agency vendors and contractors to actively foster an ethical procurement environment. CFS should consider creating an ethics outreach plan and developing an approach with Agency Executive Management and Human Resources about reinforcing the "tone at the top" to actively remind employees and contractors/vendors about the Agency's ethical expectations including once again providing annual notifications of ethical guidelines to vendors and staff. Agency management may also want to incorporate references to the Agency's Ethics Hotline and Ethics Point "FAQs" in that communication.	CFS stated they would research the best approach and begin steps for implementation. IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Master Trade Contracts September 1, 2016	5	IA recommends CFS staff attend annual training related to ethics in their respective procurement activities.	CFS reported that all staff attended ethics training related to procurement activities shortly after the audit and will plan to attend training annually. IA to verify during a future follow-up evaluation.
Master Trade Contracts September 1, 2016	6	In addition to the cross-training that is already occurring, IA suggests that CFS consider the potential benefits of job rotation within the CFS department as a training and internal control technique with multiple benefits.	CFS stated that they would evaluate and determine the need for rotation since currently there have been various retirements and changes. IA to verify during a future follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	15	FMD should implement adequate controls to ensure that the stated capitalization policy for IT equipment is consistently followed to ensure that all items meeting the capitalization threshold are capitalized and to ensure that items not meeting the capitalization threshold are not capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	17	FMD should implement adequate controls to ensure that asset records established in SAP are accurate and complete, such as ensuring that all data fields in SAP are completed and ensuring that only those items allowed by the capitalization policy are capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	19	FMD should return incorrect or incomplete Project Closure Authorization Forms to the Project Manager for proper completion. FMD should also provide training to Project Managers on the importance of proper completion and instructions on completing the form.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012 (December 5, 2016 Follow-Up)	22	FMD should document Standard Operating Procedures to address the functions of setting up capital assets such as procedures for completing the SAP asset information, compliance with stated capitalization thresholds, and processing of Project Closure Authorization Forms.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
Follow-Up Review - Information Technology Equipment Audit December 5, 2016	1	FAD should take the lead to ensure a physical inventory and inspection of the Agency's IT fixed assets is completed on a periodic basis to verify existence, location, and working condition of assets.	FAD agrees with IA and the External Auditors recommendation and would evaluate implementation. IA to verify during a future follow-up evaluation.
Follow-Up Review - Information Technology Equipment Audit December 5, 2016	2	FAD should evaluate the Agency's current capitalization thresholds for IT equipment and determine if these need to be increased to ensure current practice meets policy and are consistent with current trends.	IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	1	Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a time-table set by the Agency. E&CM and CFS should consider establishing clear criteria that differentiate between a "Level 3" emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the "Level 3" designation is necessary.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	2	To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM and CFS should consider developing and providing a comprehensive monthly update of emergency procurements for the Board. The information to consider could include the current month emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends can be analyzed and comparisons can be made to ensure that the Agency's infrastructure is well maintained and emergency procurements are kept to a minimum.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts December 5, 2016	3	To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.	CM stated they would begin implementation. IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
2017 Petty Cash Audit & Follow-up Review June 5, 2017	1	FAD should reinforce the guidelines of the petty cash fund, including custodian responsibilities and internal controls over petty cash accountability and record-keeping.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	2	FAD should consider updating the "Monthly Mileage Log and Reimbursement Request" to add a designated signature area for when the petty cash funds are utilized as a reimbursement for mileage.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	3	FAD should take the lead to communicate changes to the Petty Cash policy and forms immediately after implementation, to ensure employees understand the policy and utilize the updated forms.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	4	Petty cash custodians should only accept the appropriate forms and inform the requestor of the most appropriate procurement methods if the requestor's petty cash request does not conform to Agency policies.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	5	FAD should take the lead to review and determine if the Petty Cash limit of \$50 is adequate or if it should be updated (increased or decreased), or determine if there is a threshold that will require Executive Manager/General Manager authorization (i.e., anything over \$50).	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	6	Human Resources and FAD should work together to formally document or communicate the policy on the purchase and gifting of Gift Cards to ensure compliance with Federal requirements. The policy should be communicated to all Agency employees and be reminded periodically.	IA to verify during a future follow-up evaluation.
2017 Petty Cash Audit & Follow-up Review June 5, 2017	7	Human Resources and FAD should continue to work with the appropriate personnel in making revisions and updates to the following Agency policies that relate to cash reimbursements and controls: A-75 Employee Recognition Rewards Program, A-68 Meal Reimbursement and Unscheduled Overtime, and A-34 Vehicle Maintenance.	IA to verify during a future follow-up evaluation.

Water Use Efficiency Programs Audit June 5, 2017	1	<p><u>Turf Removal Programs</u></p> <p>While many retail customers received rebates, the range of customers could have been broader. Outreach to customers about WUE measures is a primary responsibility of member agencies, but IEUA may want to consider establishing a forum to discuss the goals and results of WUE Programs. The purpose of the discussions would be to evaluate and develop approaches to help (or consider joint efforts to) publicize, target and follow-up with entities in IEUA's service area when WUE opportunities become available, and tailor outreach towards specific and/or different entities in the region that match those characteristics and/or potentially maintain a database of the region's entities by unique characteristics (schools, churches, large lots, etc.).</p>	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	2	<p>Finance and Accounting (FAD) staff have already taken several practical measures to review and reduce the amounts included in Work in Process (WIP) to ensure only capital projects are capitalized. FAD may want to consider prioritizing additional efforts to ensure that prior period adjustments are eliminated, such as:</p> <ul style="list-style-type: none"> • Developing a cross-departmental team including representatives from Engineering, Operations and FAD to approve items in advance for capitalization in WIP. • Establishing an automated log, register or report to be reviewed regularly that tracks project codes, amounts and purpose for FAD review to ensure accurate accounting of projects. • Engaging an outside consultant, accounting firm or additional temporary resources to make a thorough examination of WIP to: <ul style="list-style-type: none"> o Ensure only capital projects are included o Recommend policies and procedures for establishing projects to ensure only capital projects are capitalized o Develop written examples and guidelines of what constitutes a capital project and what constitutes an O & M project. 	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Water Use Efficiency Programs Audit June 5, 2017	3	The Agency may want to consider utilizing the Annual Water Use Efficiency Programs Report as an evaluative tool to compare actual results to those projected in the Regional WUE (five year) Business Plan. The Annual WUE Programs Report could discuss reasons for variances from that plan, document changes being made to the plan and describe progress on any other initiatives that expect to yield water savings in future years.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	4	information in the body of the Annual WUE Programs Report to describe the differing sources of information used to provide member agency information vs. regionwide information or alternatively (and/or in addition), presenting both the summary and member agency information on the same basis.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	5	IEUA may want to consider expanding the "Highlights" commentary and providing subheadings and organizing the section to match the order of the Summary Charts to align the descriptions to the charts that follow.	IA to verify during a future follow-up evaluation.
Water Use Efficiency Programs Audit June 5, 2017	6	WR staff may want to consider developing a desk procedure or other document to guide the preparation of the Annual WUE Programs Report for internal staff to follow.	IA to verify during a future follow-up evaluation.
Contracts and Procurement Follow-Up August 30, 2017	1	CAP should review the SAP assigned roles and transaction codes and ensure that good internal controls are followed and no conflicts exist. IA recommends CAP consider eliminating or reducing the ability to Create PRs and Receive Goods, for CAP buyers in order to strengthen internal controls and further reduce risks.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	1	IA recommends that HR consider evaluating alternatives to the manual files used to maintain employee information, for example: --Working with Business Information Systems (BIS) to develop or acquire a self-service portal for employees to make updates and changes to certain information that currently requires a hard-copy document, such as withholding information, beneficiary information, address changes, or for adding or deleting a family member from their policies, and contribution amounts to various accounts. --The Agency is in the process of implementing ECMS. HR may want to consider whether the new ECMS would provide an automated approach to maintaining and updating employee information or whether another automated approach would be possible.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	2	As part of the Agency's disaster preparedness effort, IA recommends that HR consider maintaining manual/hard-copy files in fire proof/water proof cabinets.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	3	FAD should update Standard Operating Procedure No. CR PR-08 to reflect the new payroll bank reconciliation process, communicate the procedure to all department employees and ensure the SOP is in the format outlined in accordance with Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	4	FAD should ensure bank reconciliations are prepared monthly and supervisory review occurs in a timely manner to ensure all outstanding and reconciling items are researched, investigated and resolved.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	5	As part of moving into a paperless, automated environment, HR should take the lead to promote and encourage having all payments made more efficiently through direct deposits instead of manually writing paper checks.	IA to verify during a future follow-up evaluation.
Payroll Operations Audit August 30, 2017	6	Both HR and FAD should encourage employees with payroll related functions to attend ethics/fraud awareness training specific to their job responsibilities to stay informed about new developments, risks and safeguards (for example, safeguards for potential payroll fraud, safeguarding personnel files and employee confidential information, etc.)	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Recommendations that do not require follow-up at this time:			
Procurement Card Audit March 1, 2018	1	Agency Policy A-89, Procurement Card Program should be updated to reflect desired internal controls and provide clearer guidelines about the proper use of P-Cards. The policy should provide greater clarity about the purchases that are allowed or not allowed (i.e.: food, restaurant, meals, training registrations, membership payments, etc.) Additionally, the policy should provide instructions for users to follow when there are situations that are unusual and note the additional written justification that is necessary. Lastly, A-89, should direct users to seek CAP's guidance when there is a unique need, keeping the Agency's need in mind and ensuring adequate controls are maintained.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	2	The P-Card Administrator role should be clarified in Policy A-89 and expanded to include greater oversight responsibilities to ensure compliance. The role should include duties to fully utilize the various on-line tools available through US Bank for reports, alerts, training and other controls for reviewing and monitoring activity. Additionally, the P-Card Administrator should provide assistance and give advice on the best procurement method and periodically review statements and identify purchases and transactions that are not aligned with policy and request additional information.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	3	CAP should update Department-specific SOP CAP-0012 to incorporate any changes in Agency Policy A-89 Procurement card Program, including any updates to the P-Card Administrator's role and responsibilities. Additionally, CAP should ensure the SOP CAP-0012 complies with the guidelines and format set forth in Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	4	CAP and FAD should work together to utilize any in-house tools and/or online tools available through US Bank to make the review, approval, reconciliation and upload of P-Card purchases more efficient with adequate oversight.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	5	CAP should take the lead to evaluate the benefits of consolidating credit card programs to utilize P-Cards for all purchases (other than fuel) and to eliminate other vendor-specific credit card or credit programs. At a minimum, the Agency should ensure all Credit Card programs are governed by an approved Agency Policy.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	6	CAP should maximize the use of the US Bank online tools for downloading/reviewing reports, creating blocks and alert notices for unusual activity, streamlining the approval, reconciliation and upload/posting process and training end users and approvers.	IA to verify during a future follow-up evaluation.
Procurement Card Audit March 1, 2018	7	FAD should evaluate ways for the Agency to increase and/or maximize any rebates received.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	1	As the Agency moves towards automated recordkeeping using Laserfiche and possibly other tools, the Agency should consider utilizing electronic signature technology and implementing digital approval documentation.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	2	FAD should finalize the new SOPs in the format provided in Agency Policy A-51.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	3	The Agency should evaluate the cost/benefit of obtaining additional coverage and consider a per occurrence limit greater than \$2 million to ensure the Agency has adequate insurance coverage to address the Agency's risk tolerance. In addition, to address potential uncovered losses, the Agency should consider reducing the threshold for a bank call-back to any amounts that exceed the Agency's chosen limit for Fraud Transfer Insurance.	IA to verify during a future follow-up evaluation.
Wire Transfers Audit March 1, 2018	4	FAD should develop standards for documentation of transactions in SAP and a process of reviewing transactions once posted to ensure that the information in the accounting records is consistent and complete.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Wire Transfers Audit March 1, 2018	5	FAD should document or revise a separate SOP that describes the steps in the wire transfer process for investment transactions to provide guidelines for the processing of investment transactions.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	1	The goals and objectives for the GIES program should be reevaluated, updated and documented to ensure that the program aligns with the Agency's overall vision, mission, goals and objectives and/or the program's original purpose. Goals should be measurable and a formal evaluation of the program and whether the goals were achieved should be performed. The Agency should consider if the GIES program is the most effective means to meet those goals.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	2	The Agency should evaluate and consider the various responsibilities for the GIES program. Currently two different Agency departments are responsible for different functions to manage the program, one (Planning) manages the contract with Chino Basin Water Conservation District and the related fund and budget for the program. The other (EA) manages the program implementation. Additionally, CBWCD acts as the outside contractor and completes the garden installations. The Agency should consider what efficiencies would be achieved through consolidation of responsibilities or at a minimum scheduling on-going meetings or workshops and ensure all team members share ideas and discuss the program goals, achievement of those goals, lessons learned, and how best to provide greater oversight and accountability to effectively manage all aspects of the GIES program.	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	3	Staff should provide an annual written and oral report to the Board of Directors about the GIES program, that includes: <ul style="list-style-type: none"> • The program's goals and objectives and how those align with Agency goals • How the program addressed and met those goals • Funding, costs/expenses, and resources • Participating school information • Schools selection process • Number of students who potentially benefit and/or participate in the program • Updated pictures of garden conditions • Program participant survey results • Program assessment and recommendations 	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	4	Staff should continue to oversee and monitor gardens at schools, including: <ul style="list-style-type: none"> • conducting periodic follow-up site-visits and evaluations to ensure that both, the Agency's and the GIES program, goals and objectives are carried out, • providing school administrators with additional, well-defined guidelines, requirements and expectations, • ensuring gardens are used as intended and students participate in hands-on learning activities. 	IA to verify during a future follow-up evaluation.
Garden in Every School® May 31, 2018	5	Agency staff should employ a proactive method to remaining in close contact and communication with the schools that have installed gardens, including: <ul style="list-style-type: none"> • Ensuring adequate professional staffing for this function, • Obtaining up-to-date contact information each fall for each school that has participated in the GIES program. 	
Garden in Every School® May 31, 2018	6	IA also recommends that the Agency provide each school with permanent identifying information to post in the garden such as a sign or plaque that includes information about the garden's sponsors (IEUA, member agency and other) including the Agency's website and contact information so that future school administrators and garden visitors are aware of IEUA, including who and where to contact if the garden requires attention.	
Garden in Every School® May 31, 2018	7	Agency staff should develop a post-implementation evaluation of gardens after they have been in existence for an agreed upon amount of time. The purpose would be to gather feedback and information about the materials and equipment used for installing the garden and ensure these meet the school's needs or if anything needs to change. All parties involved in the installation, including Agency staff and most importantly	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	1	Warehouse staff should continue their efforts to evaluate more recent inventory for obsolete items and communicate with appropriate FAD staff about their estimates of potentially obsolete items.	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	2	Finance and Accounting staff should communicate with Warehouse staff about their professional estimate of potentially obsolete inventory and accrue adequate reserves against inventory to reflect this decrease in inventory value (and thereby decrease in total assets), this procedure will ensure that the financial statements reflect the value of usable inventory.	IA to verify during a future follow-up evaluation.
Warehouse Annual Physical Inventory August 22, 2018	3	Warehouse staff should provide clear documentation and evidence of what steps have been taken to verify that receipts are complete and intact when taken into inventory and ensure that their receiving instructions are followed in all instances.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Warehouse Annual Physical Inventory August 22, 2018	4	In addition to the separate established storage area for computer waste, Warehouse staff should ensure that any overflow electronic waste be stored somewhere that remains separate from Warehouse inventory rather than storing it together with inventory items as a best practice and internal control.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	1	FAD should provide additional, detailed information in the Notes to the Financial Statements to clarify what the inter-fund transfers represent, including the reasoning/methodology used to calculate and determine the amounts of the transfers. Although, complete information is provided through various financial and budget documents, the Financial Statements should stand alone to provide sufficient information that a reader can understand the details of the transfers.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	2	FAD should document a Standard Operating Procedure and/or Inter-Fund Transfer policy that provides clear guidance as to the methodology applied to calculate and process inter-fund transfers, including the purpose, authorization procedures and methodology applied.	IA to verify during a future follow-up evaluation.
Inter-fund Transactions Audit August 30, 2018	3	FAD should provide an annual informational written and/or oral presentation for the Board of Directors that describes the reasons for past and/or anticipated inter-fund transfers, the amounts, how those amounts were calculated and how inter-fund transfers compare to prior years.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	1	Facilities Management should continue to work with the appropriate departments to make necessary updates, and/or consolidate Agency policies and procedures for Agency vehicles and ensure the revised policy(ies) address refueling and washing procedures, security, safety items, insurance, license requirements, etc. The new and final policy should be approved by Executive Management and made available to all Agency employees for their reference.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	2	Facilities Management should perform regular vehicle inspections on all Agency vehicles. Vehicle inspections should evaluate the overall operational condition of the vehicle and determine whether all safety-related items are current and operational, such as the first aid kit, fire extinguisher, glove compartment contents, flashlight, etc. Inspections should be documented. Additionally, employees should be reminded of their responsibilities for vehicle maintenance through training and/or policy updates.	IA to verify during a future follow-up evaluation.
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures November 29, 2018	3	Facilities Management should work with Finance and Accounting to ensure periodic reconciliations of vehicle records are performed between Agency recordkeeping systems, reports and/or databases, such as SAP (financial system), GIS, etc.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	1	Planning should take the lead to work with FAD and BIS to fully utilize SAP's capabilities to streamline entering fee activity into only one system through a secure process. Planning should enter water connection fee transaction data and print receipts directly from SAP. FAD should enter and process the cash receipts and perform reconciliations. In addition, the system should be able to produce the necessary information reports for analysis.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	2	Planning should take the lead to continue to work with the contracting agencies and water districts to ensure the water connection fees information in the Agency's systems is reconciled to the building permits and/or water meters that have been issued by the contracting agencies and water districts (ideally quarterly, but at least semi-annually).	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	3	If the Agency chooses to maintain two separate systems or until a single system can be implemented, FAD should take the lead to work with Planning to establish a process to ensure reconciliations are completed on a regular and timely basis between the information in the Agency's Building Activity Tracking Database to information in the Agency's SAP financial system. The reconciliations should be performed preferably at least quarterly and the departments should work together to resolve any items immediately.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	4	Based on their experience in collecting fees Planning staff should provide Executive Management and the Board their suggestions and proposed updates for revised wording to the water connection fee Ordinance and Resolution for their consideration.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Water Connection Fees Audit February 25, 2019	5	Planning staff should work to update and finalize their draft SOP to document various tasks and procedures associated with the water connection fee process, including the processes to work with FAD and the contracting agencies/water districts.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	6	Planning should continue to work with the Agency's executive management to pursue all possible approaches, including establishing agreements or other methods to ensure water connection fees are collected as intended by the Board approved Ordinance.	IA to verify during a future follow-up evaluation.
Water Connection Fees Audit February 25, 2019	7	FAD should take the lead and work to pursue the collection of delinquent fees through various methods, including the lien process as provided under the Board approved Ordinance.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	1	<p>In evaluating access controls over all IEUA staff that have some level of AP authorization, IA noted that some staff members have transferred to other departments at IEUA or to different functions within FAD. There is a need to implement additional controls to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties. Business Information Systems (BIS) should work with Finance and Accounting Department (FAD) and Human Resources (HR) to implement additional controls to regularly evaluate and monitor employees' SAP roles and authorizations to prevent the risk of conflicts of duties. Options include:</p> <ul style="list-style-type: none"> - Business Information Systems (BIS) working closely with IA and FAD to perform regular (at minimum annual) reviews and evaluations of roles and authorizations to search for conflicts of duties. - BIS working with HR to establish a formal notification method/checklist when changes occur as a result of employees changing job duties and responsibilities that may present a risk and potential conflict of duties. - BIS determining the feasibility of seeking to implement an automated program or service to scan 	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	2	FAD should take the lead and work with BIS to implement efficiencies by fully utilizing automated workflows to process and approve invoices to migrate to a paperless environment, eliminate printing, manual/handwritten approvals, manual duplicate scanning of invoices/documents and additional emailing of documents. FAD should consider the process changes (to current largely manual procedures) necessary to efficiently utilize an automated process.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	3	FAD should perform a comprehensive review of all existing VMD records (particularly older records and those created by the conversion to SAP) and ensure all vendor information is complete and up-to-date and includes a verified physical address.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	4	FAD should perform a comprehensive review of the VMD to ensure only active vendors remain active and those with no activity in the previous 3-5 years are blocked appropriately. Additionally, vendors created through the conversion process to SAP and never used should be deleted.	IA to verify during a future follow-up evaluation.
Accounts Payable Follow-Up Audit May 30, 2019	5	FAD should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system of mid-2007 and any enhancements to internal controls since then.	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	1	Operations & Maintenance Department should develop and document goals and objectives, Key Performance Indicators (KPIs), and/or other metrics for the Agency's fleet operations for measurement, analysis, tracking and reporting the fleet program's effectiveness. Goals should be aligned with the Division's overall mission and could include cost of fuel, fuel usage/consumption, cost of maintenance, asset value of the fleet by type of vehicle, etc. Goals should be measured, evaluated and updated periodically.	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	2	Operations & Maintenance should work with US Bank to evaluate the reporting tools and features that are available to provide useful information about the Agency's fleet to identify inefficiencies, areas of improvement, and instances of unusual card usage where follow-up is required and reduce potential risks of misuse.	IA to verify during a future follow-up evaluation.

**Outstanding Audit Recommendations
as of September 1, 2019**

Audit Performed	Rec #	Internal Audit Recommendation	Target for Implementation & Comment
Voyager Fuel Card Audit May 30, 2019	3	<p>The Fuel Card Administrator role should be clarified and enhanced, either in Agency Policy A-86 and/or other related policy. The Fuel Card Administrator role should be enhanced to include greater oversight roles and responsibilities, to include:</p> <ul style="list-style-type: none"> - Responsibilities to maximize the use of online reports and tools available through the US Bank Fleet Commander® Online system. - Analysis and evaluation reports and communications to provide Operations & Maintenance information about the fuel card program. 	IA to verify during a future follow-up evaluation.
Voyager Fuel Card Audit May 30, 2019	4	Operations & Maintenance should establish a process to periodically review the use of fuel cards and ensure cards no longer needed or used are deactivated to reduce risks to the Agency.	IA to verify during a future follow-up evaluation.

Note: As of September 2019, 45 recommendations highlighted in gray do not require follow-up as the issuance date is within the last 18 months.

Audit Committee

**INFORMATION
ITEM
2E**



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Audit Committee Charter and Internal Audit Department Charter

Executive Summary:

The Board approved charters and best practices require that the Internal Audit Department (IA) perform periodic reviews of both the Audit Committee Charter and the IA Charter, and make recommendations for any necessary updates and revisions. Attached, in draft form, are the charters presented with proposed updates and edits for discussion and further guidance/direction for any additional updates or amendments. After discussion and direction, the Charters will be brought back for final approval in final form.

The Audit Committee Charter documents the Audit Committee's purpose, composition, authority, and responsibilities. The IA Charter documents IA's mission, purpose, authority, and responsibilities. The purpose of the Audit Committee, the IA Department and the documented charters is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements and to assist management by providing objective evaluations and recommendations to improve operations and achieve organizational goals.

Both charters follow the guidance set forth by the Institute of Internal Auditing (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) and professional best practices.

Staff's Recommendation:

1. This is an information item for the Board to review.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On December 19, 2018, the Board of Directors reconfirmed and approved the Audit Committee and the Internal Audit Department Charters.

Environmental Determination:

Not Applicable

Business Goal:

The Charters are consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by documenting the Audit Committee's and the IAs purpose, authority and responsibilities in assisting the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities with regards to audit matters and assist senior management in achieving organizational goals.

Attachments:

Attachment 1 - Audit Committee Charter
Attachment 2 - Internal Audit Department Charter



INLAND EMPIRE UTILITIES AGENCY

Audit Committee Charter

~~Reconfirmed on December 19, 2018~~

WORKING DRAFT WITH PROPOSED EDITS

PURPOSE

The Audit Committee (Committee) is established under the authority of the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors (Board) and reports directly to the Board. The primary purpose of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations.

While assisting the Board with these fiduciary duties, the Committee also provides an open avenue of communication between the Board, IEUA Management, the Internal Audit Department, and the external auditors. This advisory and oversight link provides the following benefits to the organization and stakeholders:

- Increased objectivity and credibility of financial reports.
- Increased management accountability.
- Support for measures to improve management performance and internal controls.
- Increased employee awareness of unethical, questionable, or illegal activities.
- Enhanced independence and effectiveness of the Internal Audit Department.
- Assurance that appropriate management action plans are implemented for audit findings and recommendations.
- Support the Internal Audit Department audit projects, evaluations and analysis.

COMPOSITION, COMPENSATION & TERM OF SERVICE

The Committee shall consist of two members from the Board of Directors, each with equal voting rights, with one selected as the Committee Chairperson. The members will be appointed by the Board President.

The Audit Committee shall have access to at least one financial expert, an outside party with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the aAudit eCommittee, the Board, Agency management and/or its designees.

All members of the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting, accounting and auditing and shall have a requisite interest in financial reporting issues of the Agency. The financial expert shall be an individual with sufficient financial experience and interest to provide guidance and assistance to the Audit Committee. The financial expert should through both ~~education~~ and experience, and in a manner specifically relevant to the government sector, possess: 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting

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for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of Audit Committee functions. .

The members of the Board serving on the Audit Committee shall be compensated in accordance with the guidelines established for the IEUA Board of Directors in the most current Board-approved Ordinance No. 98 adopted May 21, 2014, and as amended from time to time, entitled:

"Ordinance of the Inland Empire Utilities Agency, a Municipal Water District, San Bernardino County, California, establishing compensation/benefits and authorizing reimbursement of expenses for the Board of Directors and their appointed representatives to the Metropolitan Water District of Southern California Board of Directors and outside Committee Members."

The service term for each Committee member will be two years. Prior to term expiration, the Board President or their designee will conduct a review of Board Committee members' eligibility and the Board of Directors will conduct a review of the external/outside Committee member's eligibility. The Board President will then reconfirm the Committee members or select and confirm new members as needed. All activities and actions pertaining to selection or reconfirmation of Committee members will be documented by the Board, or their designee, and recorded in the next regularly scheduled IEUA Board of Directors' meeting minutes.

AUTHORITY

The Audit Committee has unrestricted access to all information and records, including IEUA personnel and documents. The Committee will have adequate resources to fulfill its oversight responsibilities, including the right to seek independent professional advice and counsel. The Committee is empowered to:

- Meet, as deemed appropriate and necessary, with IEUA Management and employees, the Manager of Internal Audit and audit staff, external auditors and legal counsel.
- Recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any changes to the Plan or the Manager of Internal Audit duties.
- Authorize special audits and investigations into any matters within its scope of responsibility.
- Authorize an internal audit or review of any department or function under the control of the Board of Directors, or within the scope of influence of the IEUA.
- Recommend to the Board the appointment, compensation and scope of work of any public accounting firm employed by the IEUA.
- Recommend to the Board the approval of any auditing and consulting services.

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- Review and recommend to the Board the external auditor's audit scope and approach, ensuring that the scope:
 1. Is in compliance with Generally Accepted Auditing Standards (issued by the American Institute of Certified Public Accountants).
 2. Is in compliance with Government Auditing Standards (issued by the Government Accountability Office).
 3. Will include a Single Audit that will be performed, if required, subject to the Office of Management and Budget (OMB) Circular A-133.
 4. Will include an opinion on each major fund presented in the Agency's financial statements.
- Review and recommend to the Board the approval of external auditors' reports, along with Management's written responses, when appropriate.
- Resolve any disagreements between Management, the Internal Audit Department, and the external auditors regarding financial or operational controls and reporting.
- Ensure corrective action is taken on internal accounting control weaknesses identified by the internal and external auditors.
- Ensure corrective action is taken on audit findings, risks and recommendations identified by the Internal Audit Department and/or accept risks identified through audit findings in lieu of corrective action, as deemed appropriate and necessary.

RESPONSIBILITIES

The Audit Committee is chartered with performing oversight for the Board of Directors. In addition to reviewing this Charter annually and updating it as needed, the Committee has responsibilities in the areas of Financial Reporting, Internal Controls, the Internal Audit Department, the External Audit and external auditors, Compliance requirements, and Other Matters as provided in the following sections. The Committee has the overall responsibility to ensure the general requirements underlying these items are carried out. However, the Audit Committee has the flexibility and authority to determine and choose the best course of action and the best method for carrying out its responsibilities. The following items are best practice guidelines that may be employed:

Financial Reporting:

- Review annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Advise the Board and management of any situations that would cause the Committee to believe the audited financial statements may contain material misstatements or omissions.
- Inquire of the General Manager and Chief Financial Officer (CFO) regarding the fiscal health of the Agency as well as the financial status of the Agency in relation to its adopted budget.

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- Inquire of management, the Manager of Internal Audit, and the external auditors about whether significant financial, managerial, and operational information is accurate, reliable, complete, and timely.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency; assess the steps management has taken or proposes to take to minimize such risks to the Agency; and periodically review compliance with such steps.

Internal Controls:

- Discuss with Agency management, the Manager of Internal Audit, and the external auditors the reliability and effectiveness of the Agency's internal control environment to mitigate risk, including information technology security and control.
- Discuss with Agency management, the effectiveness of the Agency's process for identifying and assessing significant risks and exposures, and the steps Agency management has taken to communicate, monitor and mitigate these risks.
- Understand the scope of the internal and external auditors' reviews of internal controls, and obtain and review reports of significant findings, recommendations, and Agency management's action plans to mitigate risks.
- Review all significant accounting policy changes submitted by Agency management with the Internal Audit Department, and/or the external auditors, and provide recommendations to the Board and Agency management.
- Periodically review Agency policies and procedures governing Board of Director and employee conduct, including conflict of interest, misconduct, fraud and other sensitive issues or non-compliance and recommend changes to the Board and Agency management as appropriate.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether adequate policies have been established and the Agency complies with policies, standards and applicable laws and regulations.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether significant legislative or regulatory issues impacting Agency operations are identified, recognized, communicated and appropriately addressed.
- Review with Agency management, the Manager of Internal Audit, and the external auditors the audit scope and plan of the Internal Audit Department and the external auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- Review with Agency management and the Manager of Internal Audit:
 - Significant findings, recommendations, and management's responses thereto.
 - Any difficulties the Internal Audit Department encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - Any changes required in the scope of their internal audits.

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- The Internal Audit Department budget and staffing.
 - The Internal Audit Department Charter.
 - The Internal Audit Department's compliance with applicable standards (for example, Governmental Auditing Standards, or the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing).
- Periodically review the Agency's Code of Conduct/Ethics Policy to ensure that it is adequate and up to date.
- Review with the Manager of Internal Audit and the Agency's general counsel the results of their reviews of compliance monitoring with the Code of Conduct/Ethics Policy.
- Review the procedures for the receipt, retention, and treatment of complaints received by the Agency regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, the current status, and resolution if one has been reached.
- Review procedures for the confidential, anonymous submission by Agency employees of concerns regarding questionable accounting or auditing matters, or suspected fraud. Review any submissions that have been received, the current status, and the resolution if one has been reached.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency. Assess the steps management has taken or proposes to take to communicate, manage, and minimize such risks to the Agency; and periodically review compliance with such steps.
- Review with the Manager of Internal Audit, and the external auditors:
- The adequacy of the Agency's internal controls including computerized information system controls and security.
 - Any significant findings and recommendations of the Manager of Internal Audit, and the external auditors together with management's responses thereto.

Internal Audit Department:

- Request that the Agency's Manager of Internal Audit prepare the Audit Committee's meeting agendas designed to ensure that all of the responsibilities of the Audit Committee as described herein are addressed at least once a year.
- Ensure there are no unjustified restrictions or limitations placed on the Internal Audit Department.
- Review with the Board, General Manager, and the Manager of Internal Audit the Internal Audit Department Charter, Annual Audit Plan, staffing, budget, and organizational reporting structure to ensure they meet the Committee's goals, objectives, and responsibilities to the Board and Agency management.
- Review and recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any significant changes that may occur during the year.
- Review, as needed, all internal audit reports, findings, and recommendations.

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- Review and recommend to the Board the appointment, replacement, dismissal, or change in duties of the Manager of Internal Audit.
- Review the effectiveness of the Internal Audit Department's function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Conduct the Manager of Internal Audit performance appraisals and recommend Manager of Internal Audit merit increases and incentive compensation to the Board.
- Hold management accountable for the appropriate resolution of Internal Audit Department's recommendations and ensure that disposition has been determined for Audit Department recommendations from the prior year. If management has determined that Internal Audit Department recommendations need not be implemented because of adequate compensating controls, based upon a cost/benefit analysis or because the risks are at an acceptable level in accordance with the Agency's goals and objectives, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

External Audit:

- Review the external accounting firm's proposals and fee structure, and provide recommendations and external audit plan approval to the Board.
- Review the external auditors' proposed audit scope and approach to ensure emphasis is placed on areas the Committee, Board, Management and external auditors believe special attention is warranted and that efforts are coordinated with the Internal Audit Department.
- Evaluate the external auditor's independence, and if needed, recommend the Board take the appropriate action to satisfy the Agency with the external auditor's independence.
- Review the effectiveness of the external auditor's work and provide the Board with the final approval to continue or discharge the current firm.
- Communicate to the external auditors areas of internal control with a heightened risk of fraud or error, any known or suspected employee fraud, management fraud, pressures or incentives for management to distort reported financial results, or any known or suspected accounting errors or misstatements.
- Communicate to the external auditors any areas of concern applicable to the external auditors' scope of responsibility (fraud, errors, or misstatements involving amounts significant to the financial statements taken as a whole).
- Review all significant written communications between the external auditors and management, such as any management letter comments or schedule of unadjusted differences (i.e. management letter, schedule of audit, or significant unusual or non-routine items, etc.)
- Hold management accountable for the appropriate resolution of external auditor recommendations, ensure that disposition has been determined for auditor recommendations from the prior year, and where management has determined that auditor recommendations need not be implemented because of adequate compensating controls or

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based upon a cost/benefit analysis, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

- Review with the external auditor that performs the financial statement audit:
 - All critical accounting policies and practices used by the Agency.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Agency's management, the ramifications of each alternative, and the treatment preferred by the Agency.
- Review with management and the external auditors:
 - The Agency's annual financial statements, related notes, and management's discussion and analysis.
 - The external auditors' audit of the financial statements and their report thereon.
 - The external auditors' judgments about the quality, not just the acceptability, of the Agency's accounting principles as applied in its financial reporting.
 - The external auditors' single audit of the federal awards administered by the Agency and their reports thereon.
 - Any significant changes required in the external auditors' audit plan.
 - Any serious difficulties or disputes with management encountered during the audit.
 - Matters required by Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication With Those Charged With Governance; U.S. Government Accountability Office's (GAO) Government Auditing Standards; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.
- Evaluate whether or not the performance of any extra work or special projects requested of the Agency's external audit firm violates the independence standards of the GAO.
- Recommend that the Board of Directors approve the Agency's annual financial report, if the Committee believes that they are fairly presented, to the extent such a determination can be made on the basis of reading the financial statements and discussions with Agency management and the external auditors.

Compliance:

- Review with management and the external auditors the Agency's internal controls for identifying laws and regulations affecting operations, risks for non-compliance including litigation and fines, and implementing controls to prevent recurrence.
- Review the reports, findings and recommendations of any audits or examinations performed by external agencies.
- Review with Agency counsel any legal, tax, or regulatory matters that may have a material impact on the Agency's operations and its financial statements.

Other Matters:

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- The Audit Committee shall engage consultants, specialists, or other audit firms as necessary to assist the committee in the discharging of its responsibilities.
- The Audit Committee shall direct the Manager of Internal Audit to review the Agency's Audit Committee Charter annually in order to advise the Audit Committee as to needed or recommended changes.
- The Audit Committee shall report to the Board of Directors issues discussed in the Audit Committee meeting that, in the judgment of the committee, warrant communication to the Board to help the Board fulfill its oversight responsibility.

ETHICAL CONDUCT

Audit Committee members are prohibited from participating in any event or matter that would create, or appear to create, a conflict of interest. These activities may include having a significant financial interest or operational influence in vendors, contractors, customers or competitors of IEUA. Any activity creating an actual or apparent conflict should be immediately reported to the Audit Committee Chair and the Board of Directors for resolution.

MEETINGS

The Audit Committee shall meet no less than quarterly.

The Manager of Internal Audit will schedule and coordinate all quarterly Committee meetings, and will call additional meetings if requested to do so by any Committee member, the Board, the General Manager or the external auditors. The Manager of Internal Audit will provide all Committee members with written notification and an agenda at least 72 hours before the scheduled quarterly meetings or as soon as reasonably possible for any special meetings, all in accordance with the requirements of the Brown Act.

The General Manager and Manager of Internal Audit will be provided written notification and an agenda at least 72 hours before quarterly and special Committee meetings. These parties will be provided an opportunity to attend and speak at all Committee meetings but are not considered members of the Committee and have no voting rights.

The Board or the General Manager will provide administrative support to the Audit Committee and its meetings, including agenda preparation, participant notification, and documentation of meeting minutes.

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PURPOSE

This Charter establishes the authority and responsibilities of the Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department.

The purpose of the Internal Audit Department (~~Internal Audit or~~ IA) is to assist the Board of Directors (Board) and the Audit Committee (Committee) in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations and to provide objective assurance about the Agency's operations. The purpose of the Internal Audit Department is also to provide as a service to management and as a way of adding value to improve the operations of the Agency, consulting services, analyses, recommendations, and information concerning operations.

The Internal Audit Department reports to the Board through the Audit Committee and is an independent function from management. The purpose, responsibilities and authority of the Internal Audit Department are defined in this Charter.

MISSION

The Internal Audit Department seeks to improve the operations of the Agency by providing unbiased-independent and objective assessments and recommendations to ensure Agency resources are efficiently and effectively managed in order to achieve Agency goals and objectives. The Internal Audit Department will help the Agency achieve its goals and objectives, improve operations, and instill confidence among its employees and the citizens it serves by providing independent, objective assurance and consulting services and provide management and the Board of Directors with recommendations to:

- Promote and strengthen a sound control environment.
- ~~Provide independent, objective assurance and consulting services.~~
- Improve Agency risk management, control and governance.
- Promote the Agency's vision and mission through a high degree of professionalism.
- Assist the Board of Directors and senior management achieve organizational goals and objectives.
- ~~Establish adequate policies and procedures and to comply with them.~~
- ~~Encourage efficient use of Agency resources.~~
- ~~Protect and safeguard Agency assets.~~
- ~~Mitigate risks related to fraud, waste and abuse.~~
- ~~Hold staff accountable for the resolution of audit recommendations.~~

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VALUES

The Internal Audit Department has adopted the following value statements that form the foundation for the Internal Audit Department.

Independence

As documented in this Charter, the Internal Audit Department is an independent function of the Agency for the purpose of providing independent, objective, unbiased recommendations and opinions.

Integrity

The Internal Audit Department staff is required to maintain the highest degree of integrity in conducting its audit work.

Professionalism

The Internal Audit Department will perform its work with due professional care at all times.

Collaboration

The Internal Audit Department will foster collaboration with and among all Agency personnel to promote teamwork within the various business units.

ACCOUNTABILITY

The Internal Auditor is the Manager of the Internal Audit Department. The Internal Auditor is accountable and reports to the Board of Directors, through the Audit Committee appointed by the Board. The intent of this reporting relationship is to establish the Internal Audit Department's independence to function effectively and in accordance with best practices.

Annually, the Internal Auditor will submit an Audit Plan for the following fiscal year to the Committee for review and approval by the Board. Quarterly status reports of significant Internal Audit activities shall be presented at Committee meetings and shall include a status of major activities and any changes or deviations from the approved Annual Audit Plan. The Internal Auditor has the authority to deviate from the approved Annual Audit Plan, when necessary and if warranted by unforeseen issues that require immediate attention. Significant changes to the Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee Meeting through the Quarterly Status Report and/or an amendment to the Annual Audit Plan and/or other communication.

Annually, a listing of outstanding audit recommendations provided by the Internal Audit Department and the corresponding corrective actions taken by Agency management will be presented to the Committee for the purpose of providing a progress report on the status of open audit recommendations.

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The Internal Auditor shall inform the Committee on the sufficiency of department staffing and resources.

Annually, the Internal Audit Department must also ensure the Committee fulfills their responsibilities as required under the Audit Committee Charter. Additionally, IA must ensure the Internal Audit Department Charter and the Audit Committee Charter are reviewed annually and updated as necessary.

INDEPENDENCE

Independence is essential to the effectiveness of internal auditing and is strongly emphasized by the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accountability Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.

The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.

To ensure independence is maintained, the Internal Audit Department shall report administratively to the Agency's General Manager or his designee and functionally to the Board through the Audit Committee, as stated under "Accountability".

AUTHORITY

The Internal Audit Department's authority is derived from the direction of management and the Agency's Board through the Committee as set forth in this Charter. Specifically, the Internal Audit Department is authorized to:

- Audit all areas of the Agency's operations.
- Perform audits of the Regional Sewage Service Contract agreement between the Agency and the Regional Contracting Agencies (RCA), including performing necessary audit field work and review of required supporting information and documents of the RCA's.
- Have unrestricted access to all Agency functions, records, information, property, and personnel.
- Have full and free access to Agency management, the Board of Directors and the Audit Committee.
- Allocate resources, set frequencies, select subjects and set objectives, determine the scope of work, and apply the techniques required to accomplish audit objectives, without interference from Agency management.

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- Authority to deviate from the approved annual Audit Plan, when necessary, and if warranted by unforeseen issues that require immediate attention. The Manager of Internal Audit will use professional discretion and judgment in response to such unforeseen issues and resolve them according to the requirements of the Charter. Significant changes to or deviations from the approved Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee meeting.
- Obtain the necessary assistance of Agency staff where Internal Audit performs audits, as well as other specialized services from within or outside the organization.
- Obtain regular updates from management and Agency legal counsel regarding compliance matters affecting operations.
- Establish procedures for the receipt, retention, and treatment of comments or complaints received regarding Agency accounting, operations, or internal controls, including those matters received through Ethics Point or other channels.
- Investigate and make recommendations to the Board, Audit Committee, Executive Management and/or Human Resources, as appropriate about reported instances of inappropriate activities, misappropriation of funds or fraud, including those matters received through Ethics Point or other channels.
- Obtain additional internal or external resources when the Internal Audit Department does not possess all the necessary skills or experience to complete an audit or review, subject to the approval of the Audit Committee and when necessary from the Board.
- Assist with the evaluation of the External Auditors and the Audit Committee Advisor and make appropriate recommendations to the Audit Committee and the Board.

The Internal Auditor and the Internal Audit Department staff are **not** authorized to:

- Have any responsibilities or authority for any of the activities they audit or perform any operational duties for the Agency or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditor in audit activities.
- Participate in any activities that would compromise their objectivity and independence or any activities that would appear to be a conflict of interest.
- Draft or write any Agency Policies and Procedures, or Standard Operating Procedures outside the Internal Audit Department.

RESPONSIBILITIES

The responsibilities of the Internal Audit Department consist of the examination, review and evaluation of the reliability and effectiveness of the Agency's governance, risk management, internal controls, and the quality of operations and systems utilized in carrying out the Agency's

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goals and objectives. The Internal Audit Department has the responsibility to perform its work with due professional care.

The Internal Auditor and audit staff shall be responsible for, but not limited to, incorporating periodically, as deemed necessary and/or in agreement with the ~~annual~~ Annual audit ~~Audit plan~~ Plan, activities in the following key areas:

Internal Controls

- Assess the adequacy of internal controls in place and determine if they are operating effectively.
- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review compliance with Agency policies and procedures, and with applicable laws and regulations which could have a significant impact on the operations of the Agency.
- Evaluate the means implemented and the extent Agency assets are identified, tracked, and safeguarded against misuse, unauthorized use, theft and loss. Make recommendations to encourage the efficient use of and safeguard of Agency assets.
- Provide recommendations that encourage efficient use of Agency resources.
- Review operations, programs or projects to determine if results are consistent with established objectives and goals.
- Assess the efficient and effective use of Agency resources and the controls over those resources.
- Provide consulting services on current and proposed policies, procedures, and systems to ensure adequate internal controls are considered and maintained.
- Provide consulting services to evaluate contractual agreements and determine if compliance exists.
- Use documents and information obtained from Departments in the same prudent manner as by those employees who are normally accountable for them.
- Perform “Follow-up Procedures” on all management responses to audit findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Perform “Follow-up Procedures” on known external auditor’s or regulatory agency’s reported findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Hold staff accountable for the resolution of audit recommendations and expect resolution of audit recommendations that have been agreed to and discussed during audit meetings and Audit Committee meetings. Resolution of audit recommendations is achieved through the implementation, a corrective action plan or adopting alternate controls to mitigate the risk identified through the audit.
- Conduct special projects, studies, or audits as requested by management, the Audit Committee and the Board of Directors.

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- Ensure known or suspected acts of fraud or improprieties involving Agency funds, property and employees are investigated in coordination with the Agency's legal counsel, Human Resources, ~~and senior management, and/or others as required.~~
- ~~Provide recommendations to mitigate risks related to fraud, waste and abuse.~~

Audit

- Conduct work in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics as required by the Institute of Internal Auditors (IIA).
- Develop a comprehensive and flexible ~~annual~~ Annual audit ~~Audit plan~~ Plan using an appropriate risk-based methodology, including consideration of any risks or control concerns identified by management, the Audit Committee, the Board or the external auditor and submit that plan, as well as any periodic updates, to the Audit Committee and the Board for review and approval.
- Implement the ~~annual~~ Annual audit ~~Audit plan~~ Plan, as approved, including as appropriate, any special tasks or projects requested by management, the Audit Committee, or the Board.
- Provide Agency management with reasonable notice of intent to audit and with information about the audit process, except in those situations that warrant an unannounced audit.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage, at a reasonable cost, without redundancy or omission.
- Perform advisory services to assist the Agency in achieving its objectives; for example, reviewing controls, systems or process designs prior to implementation and providing recommendations to improve and enhance the effectiveness of controls and operations.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Maintain technical competence through continuing professional education supported by Department goals and budgets.
- Maintain a quality assurance program whereby the Internal Auditor assures the operations of the Internal Audit Department.
- Perform a periodic review of the Internal Audit Department Charter and the Audit Committee Charter. Additions, deletions, or other changes to the Charters are subject to the approval of the Board of Directors.

Reporting

- Issue quarterly reports to and meet with the Audit Committee and management to summarize results of audit activities and status of findings and recommendations.
- Provide written status reports of ~~Audit Department IA~~ activity to the Audit Committee quarterly. The Quarterly ~~Audit Committee~~ Status Report will include a summary of significant internal and external audit activities for the reporting period. The Status Report will be submitted for approval by the Committee and the approved Quarterly Status Report will be presented at the next regularly scheduled IEUA Board of Directors meeting.

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- Provide a written report listing all outstanding recommendations with expected resolution dates annually. The report of all outstanding recommendations will be submitted for approval by the Audit Committee and provided at the next regularly scheduled IEUA Board of Directors meeting.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing, as well as new audit requirements, when applicable.
- Immediately report any reservations concerning control risks, accounting or disclosure practices to the Audit Committee.
- If during the scope and progress of its reviews and audits, the Internal Audit Department identifies opportunities for improving the Agency's control environment, processes and procedures to ensure an environment where assets are safeguarded, internal controls are in place and risk is mitigated, these recommendations will be communicated to the appropriate level of management and the Audit Committee as timely as necessary and in the written report.
- When deemed appropriate and necessary, provide responsible unit management with a preliminary written report of the results and recommendations of each audit, analysis, review, or investigation performed and sufficient time to respond in writing with a plan of corrective actions. Sufficient time to reply would be 30 to 60 days from the date of the final report.
- Provide final reports of results and recommendations for each review and audit performed, including the responsible management's responses to the Audit Committee, Executive management and responsible management. All final reports with any responses will be submitted to the Audit Committee for discussion and to the Board for approval. However, in cases where the auditee does not provide a response that is timely or deemed responsive, the final report will not be held up pending a response and will be submitted for discussion during the next scheduled Audit Committee meeting.

STANDARDS OF ETHICAL CONDUCT

The Internal Audit Department staff have a responsibility to govern themselves so that their independence is not open to question. To this end, adherence to the Institute of Internal Auditor's "Code of Ethics" will ensure integrity, objectivity, confidentiality and competency in Internal Audit work performed on behalf of the Agency's Board and Audit Committee. These principles include:

- Performing internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Exercising honesty, diligence, and responsibility in performing duties.
- Observing the law and making disclosures expected by the law and the profession.
- Not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Agency.
- Respect and contribute to the legitimate and ethical objectives of the Agency.

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- Not participating in any activity or relationship that may impair, or be presumed to impair, unbiased assessments, including activities or relationships that may be in conflict with the interests of the Agency.
- Not accepting anything that may impair or be presumed to impair professional judgment.
- Disclosing all material facts known that, if not disclosed, may distort the reporting of activities under review.
- Being prudent in the use and protection of information acquired in the course of duties.
- Not using information for personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Agency.
- Engaging in only those services or audit activities for which Internal Audit staff have the necessary knowledge, skills, and experience.
- Continually improving staff proficiency, and the effectiveness and quality of services.

MANAGEMENT RESPONSIBILITIES

It is the responsibility of the Board of Directors and senior management to foster a control environment that supports the Internal Audit Department's objectives and independence within the Inland Empire Utilities Agency. The existence of the Internal Audit Department does not diminish Agency management's financial and operational responsibilities for prudent execution and control of activities, including their responsibilities for the periodic evaluation of risk, control, and governance systems.

Management's responsibilities include:

- Providing Internal Audit with its full support and cooperation at all operating levels, including full and complete access to all records, property, and staff relative to their assigned areas of responsibility, and active participation in the audit process.
- Immediately notifying the Manager of Internal Audit and the Audit Committee of any known or suspected cases of illegal, criminal or unethical activity involving Agency funds, property, employees, or any activity which appears to present a conflict of interest.
- Timely notification to Internal Audit of any new or proposed modifications to Agency systems, procedures, operations or services, ensuring controls are built into the new or modified processes.
- Providing the Internal Audit Department with written responses to all audit findings and recommendations, including action plans, responsible employees, and targeted resolution dates or the acceptance of the risks identified.
- Implementation and resolution of audit recommendations agreed to. Resolution of audit recommendations is achieved through the implementation, a corrective action plan or adopting alternate controls to mitigate the risk identified through the audit.
- Providing the Internal Audit Department with adequate budget, staffing, assistance from staff of audited Departments, and the tools needed for the Internal Audit Department to execute its duties as defined in this Charter.

INFORMATION
ITEM
2F



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Internal Audit Department Standard Operating Procedures (SOPs)

Executive Summary:

The Internal Audit Department (IA) Charter requires that audit work be completed in accordance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) Standards. The IIA requires that internal audit activities maintain formal, written procedures that document the requirements for the audit activities performed.

IA documented seven Standard Operating Procedures (SOPs) in 2008 and they have been periodically updated. The objectives of the SOPs are to:

- provide consistency in the audit methodology applied by auditors and in preparing for, performing audit fieldwork, and closing audit projects;
- serve as a useful training tool and reference manual for all members of the IA Department;
- establish rules for professional conduct and responsibilities for auditors; and
- provide a system to establish continuity of the IA Department when staff changes.

All SOPs follow the most current format required by Agency Policy A-51. The SOPs have been updated and attached are the documents with tracked changes. The SOPs are posted on the intranet webpage for reference by staff. Attached for your information, discussion or requested changes are the seven IA SOPs. Upon review, IA staff will finalize and post the most current version with edits implemented from meeting discussions.

Staff's Recommendation:

Provide direction to update/edit the proposed changes for the SOPs. Receive IA's SOPs as an information item for the Board of Directors.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Prior Board Action:

On December 20, 2017 the Board of Directors received the IA revised SOPs.

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Department Charters.

On June 19, 2019, the Board of Directors approved the Annual Audit Plan for Fiscal Year 2019/20.

Environmental Determination:

Not Applicable

Business Goal:

IA's SOPs are consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by ensuring that the IAD follows a disciplined and systematic method and approach for providing professional audit services to assist the Board of Directors and General Manager in achieving organizational goals.

Attachments:

Attachment 1 - Standard Operating Procedures IA-001 Code of Ethics and Responsibilities

Attachment 2 - Standard Operating Procedures IA-002 Types of Audits and the Audit Process

Attachment 3 - Standard Operating Procedures IA-003 Audit Workpapers

Attachment 4 - Standard Operating Procedures IA-004 Annual Audit Plan

Attachment 5 - Standard Operating Procedures IA-005 Release of Audit Information to Agency Staff

Attachment 6 - Standard Operating Procedures IA-006 Business Continuity and Disaster Recovery

Attachment 7 - Standard Operating Procedures IA-007 Handling Claims, Allegations, Special Investigations, Special Projects and Management Requests



**Inland Empire Utilities Agency Standard Operating
Procedure
Code of Ethics and Responsibilities**

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Doc Number: [IA-001]

Rev:
[#45]

[NAME OF SOP] CODE OF ETHICS AND RESPONSIBILITIES

REVISION HISTORY

<i>REVIEWED BY</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
<i>[First Last Name]</i>	<i>[Initial Release, Revised Section 2, etc.]</i>	<i>XX</i>	<i>MM/DD/YYYY</i>	<i>MM/DD/YYYY</i>	<i>[First Last Name]</i>
Teresa Velarde	Updated: 12/17/08; 11/13/13; 11/20/2017	4	11/20/2017	12/11/2017	Teresa Velarde
<u>Teresa Valarde</u>	<u>8/15/2019</u>	<u>5</u>	<u>08/5/2019</u>	<u>9/9/2019</u>	<u>Teresa Velarde</u>

*Draft and Archived/Obsolete revisions are not to be used.
Access [Document Control System] system to verify revision.*



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1. PURPOSE

The purpose of the Standard of Operating Procedure (SOP) is to document the auditor’s responsibility to adhere to The Institute of Internal Auditors’ (IIA) Code of Ethics.

2. SCOPE

This SOP ~~does not provide “procedures”, only requirements~~ requires for Internal Audit Department personnel to adhere to the IIA’s Code of Ethics at all times. The scope of this SOP is to document the IIA’s Code of Ethics ~~to ensure it is documented for staff and to ensure this is a requirement for Internal Audit staff~~. The Code of Ethics has been reprinted with permission from the Institute of Internal Auditors, see Exhibit attached.

Adhering to the IIAs Code of Ethics does not exempt IA from adhering to all Agency policies, rules and legal requirements. The IIA Code of Ethics encourages auditors to use professional judgement to ensure conformance with all professional requirements.

3. DEFINITIONS

NONE

4. SAFETY CONSIDERATION

NONE


5. PROCEDURE

Consistent with the required responsibilities outlined in the Internal Audit Department Charter, the Internal Audit Department personnel are expected to abide by, follow, and apply the principles under the Institute of IIA’s Code of Ethics.

The IIA’s **Code of Ethics** outlines the principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. It describes minimum requirements for conduct, and behavioral expectations rather than specific activities. The purpose of the IIA’s Code of Ethics is to promote an ethical culture in the profession of internal auditing.

The IIA’s Code of Ethics includes Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide ethical conduct of internal auditors.

The Code of Ethics applies to both entities and individuals that perform internal audit services within the **IIA’s Definition of Internal Auditing**. The Board of Directors’ approved

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Internal Audit Department Charter adopts the IIA's Definition of Internal Auditing which defines internal auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance.

6. RESPONSIBILITIES

(reprinted with permission from The Institute of Internal Auditors, see Exhibit 2).

Principles

Internal auditors are expected to apply and uphold the following principles:

1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. Objectivity


Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

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Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. *Shall perform their work with honesty, diligence, and responsibility.*
- 1.2. *Shall observe the law and make disclosures expected by the law and the profession.*
- 1.3. *Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.*
- 1.4. *Shall respect and contribute to the legitimate and ethical objectives of the organization.*

2. Objectivity


Internal auditors:

- 2.1. *Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.*
- 2.2. *Shall not accept anything that may impair or be presumed to impair their professional judgment.*
- 2.3. *Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.*

3. Confidentiality

Internal auditors:

- 3.1. *Shall be prudent in the use and protection of information acquire in the course of their duties.*
- 3.2. *Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.*

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4. Competency

Internal auditors:

- 4.1. *Shall engage only in those services for which they have the necessary knowledge, skills, and experience.*
- 4.2. *Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.*
- 4.3. *Shall continually improve their proficiency and the effectiveness and quality of their services.*


INDEPENDENCE

Independence is essential to the effectiveness of internal auditing, and is strongly emphasized by The Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accounting Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.

The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.

Since independence and objectivity are essential to internal auditing, Internal Audit shall be independent of the activities audited and shall assert no direct responsibility or authority over activities reviewed. To ensure independence is maintained, the Internal Audit Department shall report functionally to the Board through the Audit Committee and only administratively to the Agency's General Manager or his designee. Internal Auditors should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by Internal Audit. Recommendations to improve internal controls, compliance with established policy, and increase efficiency are included in the written audit report, which is given to management for review and implementation.

Any illegal activity or the legality that is questioned by the audit staff (e.g. conflict of interest, embezzlement, or theft) shall be reported to the appropriate senior management and the GM immediately upon discovery by the audit staff.

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In performance of their functions, internal audit staff should have neither direct responsibility for, nor authority over, any of the activities and operations reviewed.

Management is responsible for establishing and maintaining controls to discourage the perpetration of fraud. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of management's actions to fulfill this obligation. Internal Auditors should be able to identify indicators that fraud might have been committed. However, Internal Auditors are not expected to have the knowledge equivalent to a person whose primary responsibility is to detect and investigate fraud. Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Further, it is recognized that the performance of audits and other reviews may include the assistance of other professionals with specific expertise.

7. REFERENCES

This procedure must be consistent with the practices prescribed by the IIA's International Professional Practices Framework (IPPF).

Overall daily administration, application, and periodic review of this Procedure shall be the responsibility of the Manager of Internal Audit.



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TYPES OF AUDITS AND THE AUDIT PROCESS

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1. PURPOSE

The purpose of this Standard of Operating Procedure (SOP) is to provide internal auditing staff with an understanding of the various types of audit projects he/she may be responsible for performing. The purpose of conducting an audit project is to provide Agency management, the Audit Committee, and the Board with an objective evaluation, factual information, and recommendations to improve the efficiency of Agency operations and ensure compliance with required policies.

The purpose of this SOP is also to provide an overview the audit process for the Internal Audit Department (IA). The purpose of establishing an audit process is to provide a systematic, disciplined, and professional approach to the performance of audit projects.

2. SCOPE

The scope of this SOP covers ~~all~~ routine audit projects conducted by IA staff. The purpose of establishing an audit process is to provide a systematic, disciplined, and professional approach and methodology ~~to-for~~ the performance of audit projects.

3. DEFINITIONS

None

4. SAFETY CONSIDERATION

None

5. PROCEDURE

A. With guidance established by the IIA IPPF and the *International Standards for the Professional Practice of Internal Auditing Standards (Standards)*, and as charged with under the Board of Directors approved Internal Audit Department Charter and the Audit Committee Charter, the Internal Audit Department (IA) uses a variety of audit techniques in the process of completing various audit projects. Various types of audit services can and will be performed, for example, the most common type of audit services include the following:

1. **Operational Audits** - examine the use of department resources to evaluate whether those resources are being used in the most effective and efficient manner to fulfill the Agency's mission and objectives. An operational audit includes elements of the other audit types, as deemed necessary and appropriate based on the risk assessment.
2. **Financial Audits** - accounting and reporting of financial transactions, including commitments, authorizations, estimates, allocations, receipt, and disbursement of funds. The purpose of this type of audit is to verify that there are sufficient controls over cash and cash-like assets, and there are adequate process controls over the



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acquisition and use of resources. Unlike external financial audits, internal financial audits do not prepare or express professional opinions on the fairness of the presentation of financial statements.

3. **Compliance Audits** - adherence to laws, regulations, policies and procedures. Examples include federal and state law, agency policies and procedures, and regulatory agency requirement. Recommendations typically call for improvements in processes and controls intended to ensure compliance with policies and regulations.
4. **Internal Control Reviews** - focus on the components of the Agency's major business activities. Areas such as payroll and benefits, procurement, accounts receivable and payable, inventory and equipment and their physical security, grants and contracts, and financial reporting are usually subject to review.
5. **Fraud Audits** – where fraudulent activity is present or suspected, specialized audit activities may be performed to assist management in detecting or confirming the presence and extent of the fraud and in providing necessary evidence for legal purposes. The expertise of a professional Fraud investigator may be hired to ensure a thorough investigation.
6. **Information Technology/Information Systems (IT/IS) Audits** - internal control environment of automated information processing systems and how people use those systems. IS audits typically evaluate system input, output, and processing controls, backup and recovery plan, system security, and computer facility reviews. IS auditing projects can focus on existing systems, as well as systems in the development stage.
7. **Follow Up Audits** – these are limited scope reviews to verify management has implemented corrective action for a recommendation made during a previous audit. Follow up Audits are conducted until recommendations are fully implemented or management accepts the risk of non-compliance. A report of all outstanding recommendations and the status of each (i.e. in progress, not implemented, deferred, etc.) is presented to the Audit Committee and Board annually.
8. **Miscellaneous audit projects** or special requests and projects as requested by the Manager of Internal Audit, the Audit Committee, the Board of Directors, General Manager, or Executive Manager. These requests will require a combination of the types of audits, innovative techniques and resources to meet the desired objective of each project. (More information related to special projects is described in SOP No. IA-007 Handling Claims, Allegations and Special Investigations).

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B. Audit Process

The process of each audit will have similarities and differences among the various audits performed. This procedure establishes the recommended steps to conduct the audit. The auditor should use professional judgment to determine if additional steps or limited steps of the audit process are necessary to accomplish the objectives and scope of work of the assigned audit project. The audit process should be flexible but should also be disciplined and systematic that any prudent auditor would take a very similar approach. All changes, supplements, and additions should be provided to and cleared by the Manager of Internal Audit.

During each stage in the audit process, the auditee or clients (those responsible over the area being audited) have the opportunity to participate. The most successful audit project is when the audit team and auditee consider themselves consultant and client, respectively, and work as a team to ensure the best product (audit observations and audit recommendations) are corroborated and agreed upon before the audit is completed. The best audit project is delivered when the expectations of all stakeholders are met with objective, unbiased, professional opinions and recommendations. Understanding and applying this concept tends to foster a more constructive working relationship and can result in improved operations for the department under review. Although every audit is unique, similarities can be found in each one.


The typical audit process consists of the following suggested steps (see Exhibit 1)

1. Planning

Prior to meeting with the client, the Internal Audit team discusses with the Manager of Internal Audit the upcoming audit and determines the audit's objectives, scope, timeline, budgeted hours, and staff assignments. If the area has been previously audited, the prior audit file should be reviewed to re-familiarize with the department's unique operations, prior audit findings, and areas of concern. The audit team should determine the audit objectives and develop a list of preliminary auditable areas and/or a draft Audit Program. Planning should always include an internal control review, expenditure examination, and determining the compliance requirements (with the Agency's policies and procedures, department SOPs/manuals, and/or other rules, regulations, laws, etc.). During the entrance meeting, the audit team will inquire with senior management and the auditee any areas they may want to see evaluated and these should be incorporated into the audit whenever feasible and appropriate.

2. Information on Gathering

Research and gather information for the department area under review. The Agency's Intranet, Budget Book, CAFR and other internal sources provide

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sufficient information. Additional information shall be gathered through interviews of key personnel, surveys, and other areas and methods.

3. Notice of Intent to Audit

The client must be informed of the audit through an appropriate communication, an announcement or engagement letter from the Manager of Internal Audit, this can be done formally as an internal memo or through an e-mail. This Notice of Intent to Audit communicates the scope and objectives of the audit, the auditor(s) assigned to the project, the date to begin the audit and other relevant information. When possible, provide a two week notice or longer unless the audit is intended to be an unannounced surprise audit; in that case, there is no communication-

It should also be noted that audits are “advertised” through the submission and approval of the Annual Audit Plan prepared and submitted by the Manager of Internal Audit to the Board of Directors, through the Audit Committee. The Annual Audit Plan lists the audit projects planned for completion for the corresponding fiscal year. Any amendments to the Annual Audit Plan are also submitted through the Audit Committee for Board approval. The Manager of Internal Audit may also communicate planned projects during Agency staff and managers’ meetings and other internal Agency meetings. Therefore, there should be no element of surprise to the business units about the upcoming/scheduled audits, as these are usually “advertised” well in advanced, at times over six months.


4. Entrance Conference

The entrance conference, provides the opportunity for the audit team to meet with department management to outline the audit objectives, approximate time schedule, required data, types of auditing tests, and the reporting process. Any areas of concern the client would like to have reviewed by the audit team should be brought up at this stage. The audit team will make an effort to minimize any disruption of regular departmental routines and avoid seasonal busy periods. The client may designate a member of the department staff as the primary contact person to respond to audit team questions and provide assistance.

It is appropriate to also schedule a brief tour of the facilities following the entrance conference, when necessary and feasible and conduct appropriate questionnaires and walkthroughs of processes-

5. Final Audit Program

Using the draft Audit Program and after all key staff personnel have been interviewed and the risk assessment completed, the Audit Program incorporating any additional steps deemed necessary should be finalized. The final Audit Program formally documents all the procedures to be conducted during the audit.

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These procedures will include steps to perform test work, observations, interviews, or surveys and document exceptions and recommendations. The final Audit Program must be approved by the Manager of Internal Audit and all procedures must be completed unless otherwise instructed by the Manager of Internal Audit.


6. Audit Fieldwork

Using the approved Audit Program, the audit team will complete each audit step accordingly. This will entail gathering additional information about the auditee’s operations. If the unit has not previously been audited, this is a significant effort. The audit team also reviews any changes in operations since the last audit. This work typically results in narratives, flowcharts, and document samples obtained from interviews with key personnel and office manuals and policies. The analysis helps evaluate internal controls relating to business transactions, safeguarding the Agency’s assets, compliance with the Agency’s policies, and promotion of operational efficiency. The auditor should proceed with all steps in the audit program.

After the survey stage, the audit team will proceed to the transaction testing stage. Transaction testing involves examining documents and other records for evidence that the internal controls described in the survey stage are actually in place and functioning as intended. When evidence of this is found on a sample of transactions or records, it can be concluded that established procedures are being followed and the level of compliance with internal controls is adequate. When a strong system of internal controls is in place and followed, the auditor(s) are confident that the data generated by the transactions can be relied upon as accurate and that administrative policies are being carried out. If the audit team finds one or more opportunities/deficiencies during their transaction testing, these will become audit findings and included in the report.

7. Audit Findings

Once the audit team encounters potential audit findings, they will bring them to the client's attention as they are identified in an attempt to resolve them, if possible, before fieldwork completion and corroborate on an appropriate recommendation. At the end of the fieldwork stage, the audit team will meet with department management and informally review all findings and observations and potential recommendations. If and when an auditee disagrees with the audit findings or determines the level of risk of the observation identified is acceptable, the internal audit final report must reflect both the auditor’s finding and the auditee’s final disposition of such.

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During this closing meeting (Pre-exit Meeting), the audit team will re-inform the auditee of the audit process and the draft audit report. The auditee will be given a reasonable amount of time (approximately 5-10 days) to provide additional support or a response to the observations/findings before audit findings are finalized. Audit findings should be developed, documented, and reported in accordance with the basic five elements of an audit finding, to the extent feasible and practical.

Each finding/observation should be self-contained, fully supported and it should stand alone. The five elements of an audit finding are (*Source: **AuditNet** - The Global Resources for Auditors*):

Elements of an Audit Finding:

- CRITERIA
- CONDITION
- CAUSE
- EFFECT
- RECOMMENDATION


Exceptions - Auditors are expected to use professional judgment and due professional care in obtaining the information needed to report findings according to the above elements. However, situations may occur when it is not feasible or practical to obtain all the elements or when the audit objectives require that the findings be reported in some other manner. These exceptions should be discussed with the Manager of Internal Audit and clearly documented in the working papers. The finding(s) should then be reported, even if one or more of the elements is missing.

Such exceptions may occur where the auditor is unable to determine the cause of a particular condition, or unable to reasonably ascertain its effect in dollars or other terms. There may also be situations where the auditor is unable to cite criteria (i.e., particular law, regulation, or industry standard) for determining that reportable conditions exist (i.e., professional judgment).

[Auditors should also refer the “Red Book” published by the IIA for guidance.](#)

Element Descriptions

The development of audit findings is best measured by comparing what exists with some standard of what is acceptable. If the developed finding meets all acceptable standards it will be logical and reasonable, and it will provide a means

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to motivate corrective action. Findings that properly include these elements will represent a strong argument for corrective action:

Criteria: (what should be)

"Criteria are the standards used to determine whether a program meets or exceeds expectations." The criteria include the goals and objectives that management wishes accomplished, in accordance with the policies, procedures, and standards that management has created, to govern the operation effectively, efficiently, and economically. In our environment these might also include laws, regulations, agency policies and procedures, and industry/other government agencies' standards.

The auditor will also have to determine what is reasonable in those instances where management has not established standards (i.e., there is no written policy, or there are no goals/objectives). When there is no criteria, it will also be appropriate to work with management and develop appropriate criteria.

Condition: (What is/what happened)

"Condition is a situation that exists. It has been determined and documented during the audit." The gathered information should be sufficient, competent, and relevant, and it should be able to withstand challenge. It must be representative of the total population or system under review or, if an isolated instance, be a significant defect. The auditee may disagree with an auditor's interpretation, but if the condition is properly identified, the auditee will have no reasonable basis to disagree with the facts that the auditor has gathered.

Cause: (Why the deviation from the criteria occurred)

Cause explains why standards were deviated from, why goals were not met, and why objectives were not attained. Recommendations are most effective when they address an identified condition and cause. The auditor may not be able to easily or always identify the cause, and might consult management for their opinion as to what has caused the observed condition.

Effect: (What happened or could happen because the condition differed from the criteria.) Effect answers the "so what?" question: assuming that all the facts are as represented, what is the result and significance of this? Who or what organization is being harmed, and how badly? Which agency goals and objectives aren't being met, or are costing more money or effort than they should? What is the impact to the Agency? Effect is the element needed to convince management that the undesirable condition, if permitted to continue, will cause harm and would cost more than the action needed to correct the problem.



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Recommendations: (What is needed to correct the condition and improve operations) Recommendations describe the course of action management should take to correct the audit-identified condition. "Recommendations are most constructive when they are directed as resolving the cause of identified problems, are action oriented and specific, are addressed to parties that have the authority to act, are feasible, and to the extent practical, are cost-effective." It is appropriate to work with management to develop an appropriate and feasible recommendation.


8. Draft Report and Pre-Exit Conference

The audit team will prepare a draft audit report based on the finding documented in the audit work papers. Upon completion of the draft, the audit team will submit to the Manager of Internal Audit for review. The Manager will make changes as needed and will discuss with audit team to ensure the recommendation still meets the control purpose. The draft report will be stamped "DRAFT" and sent to the audited management for their comments, edits, or questions.

At the pre-exit conference (if one is requested or scheduled at the request of the auditee), the draft report is discussed with the audited department management. This discussion focuses on findings and recommendations noted. The auditee may request changes to the wording and the Internal Audit will try to accommodate the request as long as the finding and recommendation's objective is not altered. The goal of the meeting is for both parties to agree on the accuracy of the audit finding and the report content. In most cases this will occur; however, it is acceptable for a disagreement regarding the need for corrective action. Executive management will make the final determination in these cases.

9. Final Report and Exit Conference

The purpose of the Exit meeting (if one is requested or scheduled at the request of the auditee) is to review the Final Report and the auditee's response. At this time the audit field work phase officially ends and no additional supporting documents or information should be accepted. Upon receiving the auditee's corrective action plan; the Internal Audit staff will attach the response to the report only if the response is timely and responsive. The Manager of Internal Audit and staff will review the auditee's response and determine if the corrective action to be taken meets the control objective of the recommendations. The responses may, in some instances, be different than the recommendation or may indicate a disagreement with the finding. If the auditee indicates the recommendation will not be implemented, the Manager of Internal Audit's response must restate why the need for corrective action is necessary. The Manager of Internal Audit will then issue the report in "final". The report will be either documented or oral. The IIA standards do not define "report" and provide flexibility to deliver the report in

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oral format or in written format, as deemed appropriate by the Manager of IA, the recipient of the report and/or the Audit Committee.

10. Auditee’s Response and Corrective Action Plan

The audited business unit must provide a response to the recommendations within 60 days of the date of the Final Report to the Manager of Internal Audit. All replies must include whether the Department agrees or disagrees with each of the recommendations, a corrective action plan addressing each recommendation and the estimated target date for implementation. The audited unit may choose to complete the response before the final report is issued and in that case, if the response is timely and effective, can be attached to the final report.

11. Follow-up Review


Internal Audit will perform a follow up review to determine if department management has implemented the recommendations. The timing of the follow up audit will be partly determined by management’s targeted completion date. A final report will be issued to update executive management and the Board of Directors on the status of corrective action plans.

According to the requirements of the Charter, on an annual basis, Internal Audit will prepare a summary of all audit recommendations and a current status of implementation for the Audit Committee. The Manager of Internal Audit will meet with the committee and discuss the recommendations’ status.

12. Presentation of Final Audit Report and Results to the Audit Committee and the Board of Directors

The Manager of Internal Audit must present the Final Audit Report to the Audit Committee during the next regularly scheduled Audit Committee meeting, and if requested by the Audit Committee shall also be presented to the Board of Directors. A final report may be written or oral as deemed necessary by the Manager of Internal Audit.

- C. All Word documents should be written using Microsoft Word using Arial 12 point font or as similar as possible so that it is a professional document, be single spaced, fully justified and include page numbers, unless otherwise instructed or approved by the Manager of Internal Audit.
- D. All workpapers must be signed off by the auditor, include a source, if not auditor prepared. All pages must be numbered appropriately with a system that is self-explanatory and consistently used throughout the audit process. There is flexibility in

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the style and format of the workpapers, numbering and headers, however, all the information must be included on each of the workpapers.

- E. For questions regarding the types of audits or the audit process, the auditor should refer to the most current version of the Institute of Internal Auditors', International Professional Practices Framework (IPPF) or the "Red Book" for additional guidance and discuss with the Manager of Internal Audit.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA Standards.

Responsible Party 1, Title 1 – The auditor is responsible for staying informed on current IIA Standards. The auditor is responsible for completing professional, factual, accurate audit projects.

Responsible Party 2, Title 2 – All audit projects must be reviewed by ~~a~~an audit supervisor or manager.

REFERENCES

IIA Standards



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1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to provide guidance in preparing and documenting audit workpapers for the purpose of documenting the work completed during and audit project to justify and fully document the audit observations and recommendations and to serve as support for the final audit report and conclusions.

2. SCOPE

The scope of this SOP covers all routine audit workpapers to support audits performed by IA staff. The purpose is to ensure audit workpapers follow the guidance provided by the Institute of Internal Auditor's (IIA) guidelines.


A record of the auditors' work should be retained in the form of audit working papers. The workpapers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Workpapers contain the planning records and preliminary surveys, the audit program, audit procedures, fieldwork, supporting documents, such as spreadsheets, testwork schedules, and other documents relating to the audit. Most importantly, the workpapers document the auditor's conclusions and the reasons those conclusions were reached. Workpapers must be handled with confidentiality, be secured at all times, and retrievable by internal audit staff.

Internal audit staff is required to be familiar with Standard 2330 and Practice Advisory 2330-1 "Documenting Information" of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which provides guidance related to the auditors responsibility to document relevant information to support the conclusions and engagement results.

Workpaper preparation and referencing facilitate the documentation that the audit objectives were followed, audit observations were concluded with sufficient supporting information, and provides the final record of the auditors' work. Workpaper preparation and referencing allows supervisors and managers review the work done, it also allows other auditors follow the work completed and follow-up on any questions that may arise. Workpaper preparation and referencing should be simple and understandable that any prudent auditor is able to follow the referencing.

Workpaper format, style, indexing, numbering, etc should be in such a way that it will be straightforward and unproblematic for any knowledgeable, prudent auditor to be able to follow and understand the process of the audit documented. Therefore, the procedures are not made so strict that there is no room for flexibility but should follow general, acceptable workpaper practices.

These workpaper procedures apply to both manual and electronic workpapers.

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See also IA-005 The Release of Audit Information to Agency Staff for additional information related to the importance of audit workpapers and the process for releasing.

3. DEFINITIONS

None

4. SAFETY CONSIDERATION


None

5. PROCEDURE

A. **Audit Workpaper Standards**

The content of workpapers should contain the following:

1. **Audit Objective Relevance**
The workpaper must be relevant to both the specific audit objective and the total audit assignment. Only include other materials or data that support the testing performed.
2. **Condensation of Detail**
The workpaper should be condensed and carefully summarized to make their later use more efficient.
3. **Presentation Clarity**
The workpaper should be presented in a clear and understandable manner. The workpaper should be able to “stand alone” so the reviewer can determine the testing and results without the need to discuss with the preparer. The workpaper should support all Findings/Observations and Recommendations made. This is critical, since the workpaper may be used in the future to substantiate Internal Audit’s work performed and the original preparer may no longer be an Internal Audit Department employee. The workpaper should be prepared “neatly” and provide only needed and relevant information.
4. **Accuracy**
The workpaper must contain statements and quantitative data that are accurate. This is essential because the workpaper may be used in the future to answer questions and support the Internal Audit Department’s representations. All auditing workpaper information must be factual, accurate, relevant and reliable.
5. **Sampling Procedure**

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The workpaper should include the method to select the audit sample. The description of the sampling method should be sufficiently definitive so that each item can be identified by the method description.

B. Preparation Standards

Technical preparation standards are necessary to ensure consistency and professionalism in creating the audit workpaper. Workpaper preparation and referencing allows supervisors, managers review the work done, it also allows other auditors follow the work completed and follow-up on any questions that may arise. Workpaper preparation and referencing should be simple and understandable that any auditor is able to follow the referencing.

1. Place a title on each workpaper. The following identifying information should be documented on the workpaper (any order is acceptable)
 - a. Internal Audit Department or IEUA or both
 - b. Audit name
 - c. Year under review
 - d. Purpose of workpaper (title)

2. Include the preparer's initials and date on the workpaper.

3. Include an objective on each workpaper with sufficient detail to clarify how it relates to achieving overall audit objectives.

4. Indicate the source of data on the workpaper with sufficient detail to ensure a different auditor is able to follow-up with the source. For example, sufficient identifying information may contain:
 - a. Name, title, department, phone number (if readily available)
 - b. Date MM/DD/YY of the interview r information was provided
 - c. Auditor initials

5. Tickmarks: When possible use red for tickmarks. Always include a "tickmark legend" or detailed footnotes on the workpaper to explain/define the tickmarks used. Initial and date the tickmarks to acknowledge the work done. For example, tickmarks are used to indicate:
 - a. An item has verified attributes.
 - b. A column of numbers foots (use an f or F or other).
 - c. A series of numbers cross-foots = adds across (use an cf).
 - d. Calculations made are correct (c).
 - e. Information has been Traced or Agreed .



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6. Include a conclusion for work conducted on each workpaper. Reference to other test/summary or findings or report when necessary.
7. Prepare a separate workpaper for each supporting schedule/test.
8. Numbering pages, spreadsheets, folders, pockets or other workpapers: Each page should be given a unique reference number that identifies its location. The number assigned should follow the audit program and/or index and/or table of content and a logical sequence. It is preferred that each workpaper be indexed/numbered at the middle bottom of each page, preferably in "RED".
9. Referencing should be done so that any auditor is able to follow the order of the workpapers and locate both manual and electronic workpapers. Indicate either in the index or table of content or the audit program where the workpapers are located and if they are manual or electronic – identifying the section and or file. Workpaper referencing should be simple and understandable that any auditor is able to follow the referencing.
10. Pockets should be labeled, indicating what it contains, preparer's initials and date MM/DD/YY.
11. Cross reference the final audit report to the workpapers, preferably in "RED" to the extent possible and necessary for the reviewer to be able to locate the totals/numbers and conclusions through the audit process. At a minimum, the draft audit report should include references to the summary workpapers, the summary workpapers should include references to the lead schedules, and the lead schedules should include references to supporting documents.
12. Prepare the workpaper in a neat, legible manner. All working papers should be of uniform size and appearance. Smaller and landscape papers should be fastened or stapled to a page containing a header. Larger papers should be folded to conform to size restrictions.
13. Use only one side of the workpaper. If a document is double-sided, indicate the document is double sided with a footnote or a "d/s" tickmark. Always indicate the total number of pages each document contains to ensure the reader can verify the total number of pages.
14. Do not include insignificant or irrelevant material and information. Avoid long hand-written documents or notes only the auditor would understand. Significant notes should be summarized as a typed document. If meeting notes have been typed, it is acceptable to remove the hand-written notes.

15. Bind all workpapers in the appropriate sequence.
16. Permanent files or binders may include SOPs and employee handbooks and can be referenced in future audits. Documents should be sorted by date order and by the order listed in e.g. the Audit Program.
17. All final documents and all supporting information to findings should be retained. It is not necessary to keep all items reviewed during the audit. Professional auditor judgment should be used to determine what audit workpapers are essential and those that substantiate the audit conclusions.

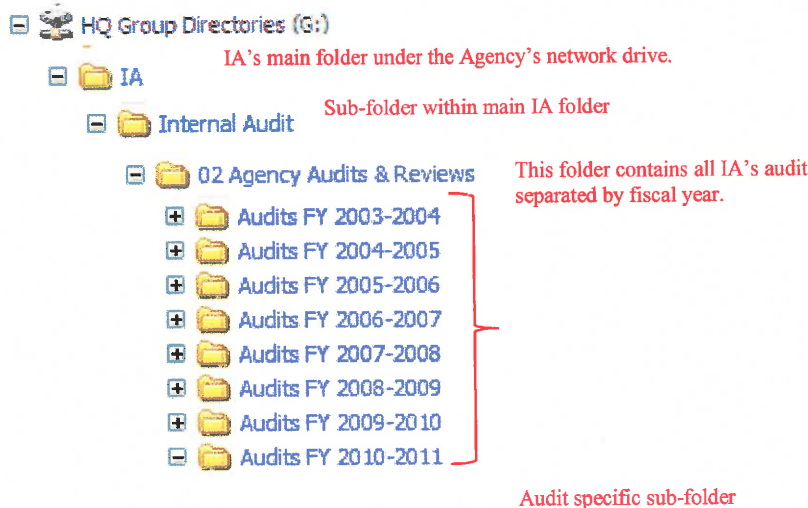
C. Review of Workpapers


The supervisor or Manager of Internal Audit will review the workpapers. The reviewer will initial and date the workpaper as evidence that the review was conducted. Any review comments must be cleared and included in the audit file.

D. Electronic Audit Files

1. All audit work files that are part of the final product and included in the audit files should be maintained in electronic format and saved on the Agency's network drive. Key documents (such as audit exceptions) that are obtained in hard copy format should be scanned; however, it is not necessary to scan all source documents. Files are to be separated out by fiscal year and audit. Within each audit folder, the files/folders saved should mirror the organization of the physical folders which usually mirrors the audit program, or by audit sections.

This is an example:



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- [-] AP
 - + 1. Final Rpts and related Correspondence
 - + 2. Time Records
 - + 3. Audit Program
 - + 4. Draft Reports & Review Notes
 - + 5. Preliminary Rsrch & Info
 - + 6. Gen. Cntrl Environment & Risk Assessment
 - + 7. Test-work
- All audit supporting documents and working files should be saved within these sub-folders

2. Electronic files created by the auditor, such as Microsoft Word and Excel files, should include a footer that shows the electronic path and file name or a hyperlink to assist reviewers of hard copy workpapers with locating the electronic file. Whenever possible and to create efficiencies, hyperlink electronic workpapers.
3. For electronic files, auditors should print out the summaries of the audit program sections and key test work schedules to assist the reviewer. It is not necessary to print out all workpapers; however references to the location of the workpapers (manual or electronic) should be made for reference and cross-reference purpose.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA Standards.

Responsible Party 1, Title 1 – **The auditor is responsible for staying informed on current IIA Standards. The auditor is responsible for completing professional, factual, accurate audit projects and maintain records that support the audit work.**

Responsible Party 2, Title 2 – **All audit projects must be reviewed by an audit supervisor or manager.**

REFERENCES

IIA Standards



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ANNUAL AUDIT PLAN**

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ANNUAL AUDIT PLAN ~~[NAME OF SOP]~~

REVISION HISTORY

<i>REVIEWED BY</i>	<i>REVISED SECTION/ PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
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1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to establish the procedure for developing the Internal Audit Department's Annual Audit Plan.

The Internal Audit Department Charter, requires that annually, the Manager of IA develop a comprehensive, flexible Annual Audit Plan to determine the priorities of the Internal Audit Department and the audit projects for the year. The Annual Audit Plan must be developed using an appropriate risk-based methodology to identify Agency audit areas s subject to an audit, audit- Audit projects should also be aligned to the Agency's mission, goals and objectives.

The Annual Audit Plan must be submitted to the Board of Directors, through the Audit Committee for final approval. Significant changes to the Annual Audit Plan must be reported to the Audit Committee and the Board, as well as periodic status reports reporting on the progress of the audit projects.

2. SCOPE

The scope of this SOP covers Annual Audit Plans and required updates or amendments.

3. DEFINITIONS

None


4. SAFETY CONSIDERATION

None

5. PROCEDURE

The Board-approved Charter states that the purpose of the Internal Audit Department is to assist the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities for reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations, and to provide objective assurance about the Agency's operations.

The purpose of the Internal Audit Department is also to provide consulting services, analyses, recommendations and information concerning the operations of the Agency as a service to management and as a way of adding value to improve the operations of the Agency. Internal Audit assists management and staff in achieving organizational goals and objectives by providing recommendations and advisory services based on results of analysis of the Agency's processes, procedures, governance, internal controls, financial reporting, and compliance with applicable laws and regulations.

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These requirements are met through the objective evaluation and audit of the various Agency's operations, policies, business units and processes.


The Board-approved Internal Audit Department Charter requires that IA submit a flexible Annual Audit Plan of proposed audit projects, with the goal of targeting for audit the activities and business units depending on the assessed risk, level of priority, and/or specific requests.

The Annual Audit Plan is presented to the Audit Committee at the beginning of each Fiscal Year for discussion and request it be submitted to the Board of Directors for final approval, and request the Board to direct the Manager of Internal Audit to implement the Annual Audit Plan.

Amendments or changes to the plan must be reported to the Audit Committee and the Board through the status reports or an Amended Annual Audit Plan during the subsequent Audit Committee meeting.

Development Process

- A. Each year, the Manager of Internal Audit will develop a comprehensive Audit Plan for the given fiscal year. This plan is based on a risk assessment approach to review the audit universe. Audit frequency is determined by the risk associated with the audit area (as assessed using auditor judgement and considering all things discussed in this procedure), consideration must be given to any special tasks or projects requested by Management, the Audit Committee or the Board of Directors, and any areas deemed appropriate by the Manager of Internal Audit.
- B. The risk assessment is done by assessing/evaluating the audit universe. The audit universe includes all auditable areas of the Agency, including but not limited to: Agency departments, processes, functions, operations, funds, accounts, activities, contracts, policies, rules, inventory, assets, facilities and anything that is mentioned or pertains to Agency mission, goals and objectives.
- C. The risk assessment is completed through various analysis and communications (meetings, discussions, emails, and interviews) of key personnel. Various evaluations are completed, for example, an evaluation of total costs or revenues, analyzing other data and information, consideration is given to the Agency's goals and objectives, initiatives and risks and using professional auditor judgment.
- ~~D. The annual-Annual audit-Audit plan-Plan should be flexible to allow for performing special projects and/or management requests, or special investigations as deemed necessary by the Manager of Internal Audit and/or senior management and/or the Audit Committee Chair as described by the Charters, the Annual Audit Plan and auditing guidelines.~~

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D-E. Requests for additional audit projects or changes to the Annual Audit Plan from senior management, the Audit Committee or the Board should be discussed during the regularly scheduled Audit Committee Meeting or Board Meeting. The requests will be scheduled depending on the requirements of the review, resources, and sensitivity. If a project is small in nature, the Manager of IA has discretion to use professional auditor judgement to respond to a request for assistance, review or information. If the project is considered sensitive or requires some amount of time and resources, the project should be discussed during the Audit Committee meeting with the Audit Chair and/or the General Manager to coordinate the resources necessary; this should be done before or after the Audit Committee meeting, depending on the sensitivity of the request and/or the risk exposure to the Agency and/or the urgency of the information. If there is no risk by delaying until after the next Audit Committee meeting, all projects should be discussed through an appropriate Annual Audit Plan and/or Amended Annual Audit Plan by the Board of Directors through the Audit Committee as required by the Charters.

In the event there are significant deviations from the Annual Audit Plan or there is an anticipated need for an Annual Audit Plan Amendment, a formal Amended Annual Audit Plan must be submitted for review and approval at the next regularly scheduled Audit Committee Meeting, noting the addition or postponement of projects and audits from the originally approved Audit Plan with information related to the benefits/risks for the delay in the originally planned audits.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA Standards and the Internal Audit Department Charter and the Audit Committee Charter requirements.

Responsible Party 1, Title 1 – **The Manager of Internal Audit is responsible for preparing and submitting for Board approval an Annual Audit Plan and any subsequent amendments and updates, consistent with Agency goals and according to IIA’s best practices.**

Responsible Party 2, Title 2 – **The Audit Committee and the Board of Directors review and approve the Annual Audit Plan and subsequent amendments.**

REFERENCES

IIA Standards



Inland Empire Utilities Agency Standard Operating
Procedure
**RELEASE OF AUDIT INFORMATION
TO AGENCY STAFF**

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[#34]

~~[NAME OF SOP]~~

RELEASE OF AUDIT INFORMATION TO AGENCY STAFF

REVISION HISTORY

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1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to provide procedures for requests ~~for~~of Internal Audit Department (IAD) workpapers from Agency staff.

Workpapers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Workpapers contain the planning records, preliminary surveys, audit procedures, supporting documents, spreadsheets, preliminary risk assessments, and other documents relating to the audit. Most importantly, the workpapers document the auditor's conclusions and the facts in reaching conclusions to audit observations.

Final ~~Audit~~audit reports provide a summary of the conclusions that were reached and the audit work completed. All final, approved and published Audit Reports are available on the Agency intranet site (~~PIPES~~) and also available through the public Board of Directors' Agendas from the main IEUA web page.

IA staff share audit items and information with staff when there are questions or requests for audit findings and conclusions. It is unlikely that audit workpapers are requested by internal staff. Requests for audit workpapers are to support a fraud investigation or other type of investigation and it is a serious evaluation of documents. However, from time to time, Agency staff may want to review workpapers that support audit reports and conclusions.

In an event of a request for audit workpapers, IAD staff should make every effort to assist and cooperate in providing needed information to Agency staff when possible, and as deemed appropriate.

2. SCOPE

The scope of this SOP covers all workpapers and information retained to support audit reports.

3. DEFINITIONS

None

4. SAFETY CONSIDERATION

None

5. PROCEDURE

- A. When a request for audit workpapers or supporting documents is received, Audit staff must notify the Manager of Internal Audit the nature of the request.



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- B. Requests made by Agency staff for information that is not available on the Agency intranet or through published records, require a request made through and by the General Manager, and approved by the Audit Committee. Requests will be considered only for information related to completed audits.

At the discretion of the Manager of IA, information will be released only after the Manager of IA determines that information requested does not violate the Audit Committee Charter, the Internal Audit Department Charter, the Institute of Internal Auditing (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*), and/or anything that would compromise the independence, integrity, and professionalism of the Internal Audit Department and the image of the Agency.

- C. When a request for audit workpapers or audit supporting documentation is approved for Agency staff review, and made through the General Manager, approved by the Manager of IA and the Audit Committee, the requestor may coordinate with IAD staff and sit in a nearby workstation to review files under the supervision of IAD staff. To maintain the integrity of the workpapers, these cannot leave the custody of IA.
- D. Copies of requested information may only be made upon approval by the Manager of IA and if necessary by the Audit Committee Chair. Removing files from the IAD designated work area is not permissible.
- E. This procedure addresses only requests from IEUA staff. External access to IAD files will be granted if the request is made by or from the Agency's legal counsel or a higher authority and through appropriate channels. In those instances, IA will follow the Agency's policy requirement to comply with the request.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA *Standards* and the Internal Audit Department Charter and the Audit Committee Charter requirements.

Responsible Party 1, Manager of Internal Audit – **The Manager of Internal Audit is responsible for approving the release of audit workpapers.**

Responsible Party 2, IEUA General Manager – **The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.**

REFERENCES

IIA *Standards*



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Procedure
**BUSINESS CONTINUITY AND DISASTER
RECOVERY**

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[BUSINESS CONTINUITY AND DISASTER RECOVERY]


REVISION HISTORY

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1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to document the Internal Audit Department's role, function, and processes during a disaster or business disruption event. The primary responsibilities of the Internal Audit Department (IAD or IA) include to assist in the continuance of critical activities and to reduce the impact of the incident to the Agency and its core operations.

2. SCOPE

The scope of this SOP covers any Agency related disaster or business disruption.

3. DEFINITIONS

None

4. SAFETY CONSIDERATION

None

5. PROCEDURE

A. Contact Information

Disaster, Safety and Emergency phone numbers are located in the Safety Manual and accessible on the Safety & Risk Department website located on the Agency's intranet website. Each IAD employee is required to post the emergency contact phone numbers in their workstation. In the event of an emergency/disaster, Internal Audit staff should contact the appropriate personnel for emergency response information and instructions.

B. Role of the Internal Audit Department during an incident

The Internal Audit Department is not considered a critical business function where the immediate continuance of audit projects is required. During an incident, Internal Audit staff will act as support and/or backup personnel to assist in the recovery of time-critical Agency activities and operations. Additionally, Internal Audit staff will perform necessary tasks to ensure the safety of personnel, security of assets, internal controls and segregation of duties when viable and appropriate.

Upon reporting for emergency response, IAD staff should take the necessary steps to assist the critical departments and functions, which may include, but are not limited to Finance and Accounting, Business Information Systems, Safety, and the Human Resources departments. The IAD Business Continuity and Disaster Recovery procedure will acknowledge and be secondary priority to the Agency-wide Business Continuity Plan or the Business Continuity & Disaster Recovery plans for the time-critical Agency-activities or departments.



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C. Disaster Assessment

A disaster is defined as an event that results in the loss or compromise of personnel, systems, processes, or infrastructure. Events that can lead to a disaster may come from or be caused by, but not limited to: earthquakes, internal/external fire, internal/external flooding, human error, weather, a nearby company disaster, physical or any form of attack, and anything declared as an emergency or disaster by Executive Management.

If a disaster occurs, at the request of the Board, Audit Committee, and/or the General Manager, the Internal Audit Department Manager will assist in disaster assessment and recovery in conjunction with Agency management. Based upon the disaster scope, the Manager of Internal Audit will direct Audit Staff to the appropriate recovery plan and assist Agency staff in the strategy to restore appropriate business functions.

D. Assignments and Responsibilities


The Manager of Internal Audit will assist in ensuring the safety of personnel, coordinate with the appropriate department manager(s) to discuss the continuity plan, recovery of information and safeguarding of crucial information and assets, direct Audit Staff accordingly; and communicate/develop plans to safeguard assets, maintain security of critical information and verify information. The role of the Manager of the Internal Audit Department is also to inform the Audit Committee and Board of its role and responsibilities during the disaster/emergency.

E. Recovery Capability of Audit Records

Audit files and all final reports are stored in electronic form in the Agency's shared directories. In the event of a disaster that affects network files, IA electronic files may be retrieved upon recovery of Agency network information by the ESS and ISS departments.

Hard-copy/paper audit workpapers are located in the IAD storage cabinets located outside the Internal Audit Department Manager's office, as well as in Audit staff cubicles. Workpapers contain supporting documents related to the audit conclusions made. The work-papers represent the justification for the audit observations and recommendations provided to the audited business units and as communicated to the Audit Committee and the Board of Directors in the final audit reports.

In the event that hard-copy workpapers are destroyed during a disaster, most of the files may be retrieved from the electronic files in the network or from the appropriate department for which they belong. Some of the audit work-papers are original working documents that may not be retrievable through any other channel and would take a considerable amount of audit resources to recreate, if at all possible.

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In the event of a disaster where workpapers are destroyed, effort to re-create or restore hard-copy workpapers for completed audits, will not be a priority.

The final audit report is documented and issued through regularly scheduled Audit Committee and Board Meetings available through different Agency electronic sources. The final audit reports represent the end-product of the audit procedures. Audit reports also represent final agreement between the auditors and the auditee, and stand alone even if back-up workpapers are misplaced or destroyed. Audit reports are prepared following audit standards recommended by the Institute of Internal Auditors in the International Professional Practices Framework guide.

- F. Procedure Review - Overall daily administration, application, and periodic review of this Standard Operating Procedure shall be the responsibility of the Internal Audit Manager.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA *Standards* and the Internal Audit Department Charter and the Audit Committee Charter requirements.

Responsible Party 1, Manager of Internal Audit – The Manager of Internal Audit is responsible for approving the release of audit workpapers.

Responsible Party 2, IEUA General Manager – The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.

REFERENCES

IIA *Standards*



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Procedure
**HANDLING CLAIMS, ALLEGATIONS, SPECIAL
INVESTIGATIONS, SPECIAL PROJECTS AND
MANAGEMENT REQUESTS**

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**[HANDLING CLAIMS, ALLEGATIONS, SPECIAL
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REQUESTS]**

REVISION HISTORY

<i>REVIEWED BY</i>	<i>REVISED SECTION / PARAGRAPH / PAGE</i>	<i>REVISION</i>	<i>REVIEW DATE</i>	<i>RELEASED DATE</i>	<i>APPROVED BY</i>
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Access [Document Control System] system to verify revision.*



**Inland Empire Utilities Agency Standard Operating
Procedure**
**HANDLING CLAIMS, ALLEGATIONS, SPECIAL
INVESTIGATIONS, SPECIAL PROJECTS AND
MANAGEMENT REQUESTS**

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1. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to document the Internal Audit Department's (IA) role, responsibilities and processes for handling and investigating internal or external reported claims, allegations, and accusations of alleged waste, fraud and abuse or serious non-compliances with policies or procedures. The primary responsibilities of IA include to evaluate the reported claim, gather facts, assess the risk and impact to the organization, determine whether IA has the necessary skills and expertise to conduct the necessary investigation, determine the required level of review, and determine the requirement and method for reporting to the appropriate personnel.

This SOP also documents IA's role, responsibilities and processes for handling and conducting, special projects and management requests, including requests by the Audit Committee and the Board of Directors. The primary responsibility of IA is to add value by providing Agency management consulting services, analyses, evaluations, recommendations, and information about the operations under review from an independent and objective perspective. IA will work closely with the requesting management personnel and determine the necessary level of audit work

2. SCOPE

The scope of this SOP covers IA's role and responsibilities in handling claims, allegations, special projects, and management requests.

3. DEFINITIONS

For purposes of this procedure, a **claim, allegation, or reported accusation** can be reported by an employee, Director, the Agency's legal counsel, a contractor or vendor of the Agency or by an external and/or anonymous member or party of the public. A claim, allegation, or accusation is most often related to non-compliance with Agency policies/procedures, misappropriation of assets, falsification of records, bribery, fraud, waste, or abuse for the benefit of an individual(s) or the Agency.

For purposes of this procedure, **special investigations** are an assessment conducted by IA in response to a reported claim. The role of IA during a special investigation is to gather the facts, assess potential risks, determine if the claim has merit to perform an investigation and/or if further investigation or reporting is necessary, and whether the investigation is within the scope of work for IA.

For purposes of this procedure, a **special project or management request** are an assessment, evaluation, analysis, or audit requested by senior management, the Audit Committee and/or the Board of Directors, which was not scheduled through the Board approved Annual Audit Plan. Special projects or management requests are considered short-term projects, where IA determines it has the necessary staff, skills and resources to



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provide assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is determined and agreed upon by and between the requesting department manager and the Manager of the IA and, when deemed appropriate by Executive Management, the Audit Committee and/or the Board. The purpose of a special project or a management request is to add value by providing Agency management with: consulting services, analyses, evaluations, recommendations, and information concerning operations from an independent and objective perspective.

4. SAFETY CONSIDERATION

None

5. PROCEDURE

According to the Board-approved Charter, the purpose of the Internal Audit Department is to assist the Board of Directors and the Audit Committee in fulfilling their oversight responsibilities for reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations, and to provide objective assurance about the Agency's operations.

The purpose of the Internal Audit Department is also to provide consulting services, analyses, recommendations and information concerning the operations of the Agency as a service to management and as a way of adding value to improve the operations of the Agency. Internal Audit assists management and staff in achieving organizational goals and objectives by providing recommendations and advisory services based on results of analysis of the Agency's processes, procedures, governance, internal controls, financial reporting, and compliance with applicable laws and regulations.

All audit projects are scheduled through the Board-approved Annual Audit Plan. Changes or amendments to the Annual Plan are communicated to the Audit Committee at the regularly scheduled Audit Committee Meeting.

A. Cataloging/Recording a Claim, Allegation or Request

When a claim or request is reported to any member of IA, the Manager of IA must be notified immediately. The Manager of IA must assess the claim or request and determine the appropriate level of review it will require. The Manager of IA must consider all IA projects, the Board-approved Annual Audit Plan requirements and responsibilities under the IA Charter, to determine the urgency/priority of the claim or request and determine how best to schedule appropriate resources for the required/requested review.

IA personnel will gather additional information as needed through interviews, discussions, or examination of records and determine the need for reporting to senior management and/or the Audit Committee Chair and/or the Agency's legal



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counsel. If and when the special investigation is outside the scope of work for IA or beyond the expertise of IA, the Manager of IA will determine the appropriate reporting procedure. It may be necessary to report to senior management and/or the Audit Committee Chair, the Board of Directors, and/or the Agency's legal counsel and recommend further investigation by an outside expert, or recommend reporting to appropriate legal authorities. In most cases, it is not the responsibility of IA to report outside of the organization, unless there is an obvious, apparent, severe posed threat, actual abuse or danger.

Depending on the claim/request and the assessment of the required investigation or project, the reporting party/informant of the claim may or may not be involved further in the investigation and may or may not be privy to the final report or outcome of the investigation. The Manager of IA will determine the appropriate method and distribution of the final communication or report.

In the case of a special project or management request, the requesting department manager and/or the respective Executive Manager will be involved during the process of the review/evaluation. A final communication will be provided to the requesting manager. The Manager of IA will determine the appropriate method and distribution of the final communication or report.

B. Responsibilities & Reporting

All IA projects, including a special investigations, special projects, or management requests should be treated with the same level of confidentiality, objectivity and professionalism expected during any and all IA projects and as directed under the Board of Directors' approved Internal Audit Department Charter.

In performing any audit project, including special investigations, special projects, or management requests, auditors are required to consistently follow and apply the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), including the *International Standards for the Professional Practice of Internal Auditing Standards* and the Code of Ethics, and the Board-approved Internal Audit Department Charter and Board-approved Audit Committee Charter. Auditors are expected to apply professional judgment and objectivity at all times, and uphold IA's values: independence, integrity, professionalism, and collaboration.



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C. Procedure Review

Overall daily administration, application, and periodic review of this Standard Operating Procedure shall be the responsibility of the Manager of Internal Audit.

As stated in the Internal Audit Department Charter, the Manager of Internal Audit will set audit frequencies, select the subjects and set objectives, determine the scope of work and apply the techniques required to accomplish the audit objectives. The Manager of Internal Audit has the authority to deviate from the approved annual Audit Plan, when necessary, and if warranted by unforeseen issues that require immediate attention. The Manager of Internal Audit will use professional discretion and judgment in response to such unforeseen issues and resolve them according to the requirements of the Charter. Significant changes to or deviations from the approved Annual Audit Plan shall be reported to the Audit Committee and to the Board at the next regularly scheduled Audit Committee meeting.

6. RESPONSIBILITIES

These procedures must be consistent with the practices prescribed by the IIA Standards and the Internal Audit Department Charter and the Audit Committee Charter requirements.

Responsible Party 1, Manager of Internal Audit – **The Manager of Internal Audit is responsible for approving the release of audit workpapers.**

Responsible Party 2, IEUA General Manager – **The IEUA General Manager is responsible for authorizing staff's request for audit workpapers and documentation.**

REFERENCES

IIA Standards

Audit Committee

INFORMATION
ITEM
2G



Date: September 18, 2019

To: The Honorable Board of Directors

From: Teresa Velarde, Manager of Internal Audit

Committee: Audit

09/09/19

Manager Contact: Teresa Velarde, Manager of Internal Audit

Subject: Internal Audit Department Quarterly Status Report for September 2019

Executive Summary:

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The Internal Audit Department Quarterly Status Report includes a summary of significant internal and external audit activities for the reporting period.

During this quarter, Internal Audit (IA) staff focused resources on completing the various policy research projects, three follow-up reviews, the amended Annual Audit Plan, updates to the Audit Committee, IA Charters, and the IA SOPs . Additionally, IA worked on various on-going and required administrative items such as the budget process tasks and completed training as required by the IA Department's Charter, among other duties and responsibilities.

IA continues to assist with any requests for audit work, review of Agency policies, and procedures and recommendations for internal controls, as well as work on routine audit projects as specified in the Annual Audit Plan. The attached report provides details and information of the audit projects.

Staff's Recommendation:

This is an information item.

Budget Impact Budgeted (Y/N): Y Amendment (Y/N): Y Amount for Requested Approval:

Account/Project Name:

N/A

Fiscal Impact (explain if not budgeted):

N/A

Full account coding (internal AP purposes only):

- - -
- - -

Project No.:

Prior Board Action:

On June 19, 2019, the Board of Directors approved the Fiscal Year 2019/20 Annual Audit Plan. The plan was in accordance with auditing standards and the Charter requirements.

On December 19, 2018, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Department Charters.

Environmental Determination:

Not Applicable

Business Goal:

The Status Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment, and Business Practices by describing IA's progress in providing independent evaluations and audit services of Agency financial and operational activities and making recommendations for improvement, to promote a strong ethical and internal control environment, safeguarding assets and fiscal health, providing recommendations to improve efficiencies and to assist management in achieving organizational goals and objectives.

Attachments:

Attachment 1 - Internal Audit Department Quarterly Status Report for September 2019

**Internal Audit Department
Quarterly Status Report for September 2019**

Projects Completed This Period

Project: IEUA Board of Directors Policies Workshop

Status: Complete

Scope: Internal Audit completed research on three separate requests from the Board related to policies and provided a Board Workshop on August 7th, 2019 covering the following:

- **Travel and Conferences:** IA compiled the expenses related to travel and conferences, performed a survey through the California Society of Municipal Finance Officers (CSMFO) to gather information related to other governmental entities' current policies and processes for elected officials. IA provided the comparative information and possible considerations for policy and practice changes. During the workshop, the Board agreed that in addition to the proposed updates to Agency Policy A-37 and eliminating A-77, the Board would like to see a quarterly spreadsheet showing travel and conference expenses by division.
 - **Cell Phone Reimbursement:** IA conducted a brief survey through CSMFO of comparable public agencies about cell phone reimbursements specific to elected officials. IA also evaluated the current policy for Agency employees and gathered other research already completed by other Agency staff and presented the results to the Board. The Board did not take any action as a result of this item.
 - **Healthcare Benefits:** IA reviewed the current Agency Ordinance that approves the benefits provided to the Board. IA also conducted a brief survey through CSMFO of comparable public agencies about the Healthcare Benefits provided to their elected officials. The results of the research were presented to the Board and no action was taken.
-

Project: Water Connection Fees Follow-Up Review

Status: Complete

Scope: IA performed a follow-up review to determine if two of IA's original audit recommendations from February 2019 had been implemented. The follow-up review was completed because both Finance and Planning staff reported to IA that they had worked closely with Business Information Systems in streamlining the Water Connection Fees payment process directly into the Agency's accounting system, eliminating duplication and the need to run two separate systems for processing transactions. As a result, both recommendations are now considered implemented. The report is under separate cover.

Project: Agency Vehicle Operational Audit: Review of Vehicle Security Procedures

Status: Complete

Scope: IA completed a follow up review on the two outstanding recommendations remaining from the 2014 original audit and the 2018 follow up review. The two recommendations are now considered implemented. The recommendations related to tightening controls over the tracking/inventory processes and database for the gate transmitters, which records assignments of active and deactivated gate transmitters. During the original reviews, IA noted several errors in the database, multiple different versions, errors, non-reconciliation procedures. The original audit also found several documents and forms missing. During this second follow up, IA noted that processes have improved. IA continues to recommend that CAP staff implement tighter controls such as periodic reconciliation and supervisory review to ensure the record-keeping information of the database is current, accurate, and up to date. Detailed observations and recommendations are included in the attached report.

Internal Audit Department Quarterly Status Report for September 2019

Project: Warehouse Annual Physical Inventory – Internal Audit Inventory Observation Report

Status: Complete

Scope: IA observed the annual physical inventory at the warehouse and documented observations. The annual inventory count is performed near the end of the fiscal year and before the completion of the Comprehensive Annual Financial Report (CAFR) to validate the total inventory asset dollar amount posted to the financial statements. The annual inventory count is a recommended best practice and internal control.

Each year, IA observes the Agency's physical inventory count at the Agency's Warehouse. Additionally, from time to time, the external financial auditors may ask about the physical inventory count or schedule a separate spot check as part of their annual financial audit. During the inventory observation, IA evaluated the status of the four recommendations made in the prior year and determined that all four recommendations had been implemented. IA supports the Warehouse staff in the following items which should be discussed with other departments and possibly the External Auditors before finalizing:

- Considering whether supplies and consumables should be expensed when received rather than maintained as inventory. Additionally, IA suggests that supplies and consumables be stocked in designated areas at the various Agency locations, similar to office and coffee supplies. Warehouse staff should work with the affected departments on this issue.
- Discussing the materiality of the physical inventory with the external auditors with the goal of possibly reducing the frequency of the overall physical inventory count to an every-other year basis if the value of total inventory continues to decline (particularly if "supplies and consumables" items are expensed and obsolete inventory is written off regularly) and staff continues to perform cycle counts on a regular monthly basis.

Detailed observations and recommendations are included in the audit report, presented under separate cover.

Project: Amended Annual Audit Plan for Fiscal Year 2019/20

Status: Complete

Scope:

Annually, as required by the Internal Audit Department Charter, the Manager of IA must submit a flexible plan of proposed audit projects for the fiscal year. When new/different projects take priority due to unforeseen changes or are warranted and deviations from the approved plan are necessary, a formal amendment must be submitted for Audit Committee and Board approval.

As a result of three requests from individual Board members about potential and existing Board benefits and spending, the Manager of Internal Audit in coordination with Executive Management and the General Manager directed internal audit staff to research existing guidance and perform informal surveys of comparable agencies about these topics. This resulted in a Board Workshop on August 7, 2019 to provide information to the Board of Directors. The Audit Plan has now been amended to reflect this project. Had the Board asked Internal Audit for a more formal, complete and comparable survey of local water and wastewater districts at that meeting, the Audit Plan would have been amended further.

Additionally, the Audit Plan has been updated to reflect the delay of the Human Resources Operational Audit due to the Workshop and as requested by HR staff until the Department Manager position is filled with employment expected in mid-August 2019. While IA has already gathered and evaluated some information provided by HR, the HR Department felt it was important to include the new HR manager in discussions and meetings.

An Amended Annual Audit Plan is submitted as part of the Audit Committee Agenda for September 2019.

Internal Audit Department Quarterly Status Report for September 2019

Project: Report on Open Recommendations as of September 2019*

Status: Complete - Status of outstanding recommendations as of September 2019.

Scope:

The Internal Audit Department Charter requires IA to follow-up on the status of outstanding recommendations to determine if corrective actions have been implemented. The follow-up reviews are scheduled through the Annual Audit Plan. Executive Management supports the implementation of the recommendations previously provided and/or the development of alternative controls to address the risks identified.

The table below provides the number of recommendations outstanding as of this Status Report. Additional details about each of the outstanding recommendations is submitted with the Annual Audit Plan each June. This summary provides an updated count of the outstanding recommendations. This summary includes new recommendations provided during this fiscal year as well as considers any recommendations cleared during the year (up to the prior quarter). A follow up review is typically scheduled between 12–24 months from the date of the original audit, to allow time for full implementation. If a recommendation is deemed not implemented, the recommendation remains outstanding or alternate controls to mitigate any risks are evaluated to determine if the risk has been addressed and the recommendation is no longer applicable. A follow up review is also scheduled sooner, if requested by the Audit Committee or Executive Management. The audited business units are encouraged to submit additional information for IA review if they determine the recommendation has been satisfied.

Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA*	Planned Follow-Up
Accounts Payable Follow-Up (Deferred Recommendations related to Agency Policies)	August 29, 2013	2	FY 2020
Vehicle Security Procedures	March 3, 2014	2	FY 2020
Follow-Up – IT Equipment Audit – ISS	February 29, 2016	2	FY 2020
Master Trade Contracts	September 1, 2016	6	FY 2020
Follow-Up – IT Equipment Audit – FAD	December 5, 2016	6	FY 2020
Audit of Master Services Contracts	December 5, 2016	3	FY 2020
2017 Petty Cash Audit & Follow-Up Review	June 5, 2017	7	FY 2021
Water Use Efficiency Programs Audit	June 5, 2017	6	FY 2021
Contracts and Procurement Follow-Up Audit	August 30, 2017	1	FY 2021
Payroll Operations Audit	August 30, 2017	6	FY 2021
Procurement Card Audit	March 1, 2018	7	FY 2022
Wire Transfers Audit	March 1, 2018	5	FY 2022
Garden in Every School	May 31, 2018	7	FY 2022
Warehouse Annual Physical Inventory – IA Inventory Observation Report	August 22, 2018	4	FY 2022
Inter-fund Transactions Audit	August 30, 2018	3	FY 2022
Agency Vehicle Operational Follow-up audit: Review of Vehicle Inventory Procedures	November 29, 2018	3	FY 2022
Water Connection Fees Audit	February 25, 2019	7	FY 2023
Accounts Payable Follow-Up Audit	May 30, 2019	5	FY 2023
Voyager Fuel Card Audit	May 30, 2019	4	FY 2023
Total Outstanding Audit Recommendations		86	

Recommendations related to the Regional Contract Review			
(these recommendations are planned for full implementation with the renegotiation of the Regional Contract IA will not follow up on these items until the renegotiation has been finalized)			
Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract

Internal Audit Department Quarterly Status Report for September 2019

Of the 86 recommendations:

- 21 recommendations are planned to be reviewed in the current fiscal year (approximately 25%)
- 20 recommendations are expected to be reviewed in the following fiscal year (approximately 23%)
- 45 recommendations that are highlighted in gray do not require follow-up as the issuance date is within the last 18 months (approximately 52%).

**The Outstanding Recommendations Table does not update the status of recommendations resolved by follow-up audits during the current quarter or add any new recommendations resulting from the projects completed during this quarter (as noted in this Status Report). The table is revised for those changes once all items have been received by the Audit Committee and the Board of Directors which is when items are determined to be final.*

Projects in Process

Project: **Audit Committee and Internal Audit Department Charter Updates**

Status: **In Progress – for finalization in December 2019**

Scope:

As required by the Charters and the IIA Standards, the Charters are presented in draft form with the suggested proposed updates for consideration. IA also asks the Audit Committee and the whole Board to make any proposed changes at this time for finalization in December 2019.

The purpose of the Audit Committee and the IAD Charters is to document the purpose, authority and responsibilities of each. A role of the IAD is to further ensure that the responsibilities of the Audit Committee are fulfilled. According to best practices, the authority of the IAD should be documented in a Charter to align the role of the department in a way to provide independent assurance and assistance to the Board and Executive Management in ensuring organizational goals are achieved. Best practices and both Charters require that IA completes a review of the Charters annually and make necessary edits/changes. IA is proposing changes related to handling projects and requests. This is to clarify the process and/or manner in which the IAD receives requests from individual Board members or the Board as a whole and how the IAD responds to requests. IA requests feedback from the Audit Committee, the Board and/or senior management about any changes in the IAD scope of work, responsibilities and authority. Changes will be made, and the charters will be brought back for additional discussion, review and/or final approval in December.

Project: **Human Resources Operational Audit**

Status: **In Progress – Anticipated Completion date: December 2019**

Scope:

To evaluate processes and operations of the Human Resources Department (HR). IA will evaluate whether department standard operating procedures, policies and guidelines are up to date, implemented and followed and evaluate the department's published mission statement, department purpose, business goals, key performance indicators and workload indicators to determine that those are effectively and efficiently met. IA will evaluate key functions and compare with similar agencies. Human Resources will be the primary contact department. Additionally, two recommendations that were deferred from the Accounts Payable Follow-Up audit completed in June 2019 will be reviewed as part of this audit.

In July 2019, IA requested and received preliminary information from the HR department. During August 2019, IA provided the HR Department with an Internal Control Questionnaire (ICQ), with approximately 40 questions about various topics, processes, and procedures that fall under the responsibility of the department. The ICQ provides a basis for IA to begin the audit and assists in focusing the review efforts. The ICQ provides information about how the department is operating and functioning; about processes and procedures of the department; and about the administration of programs under their purview.

Internal Audit Department Quarterly Status Report for September 2019

The timing of this audit has fluctuated since the HR Department Manager position has been vacant for several months. The new HR Department Manager began employment with the Agency in mid-August 2019 and additional time was requested for the manager to be included as part of the process. IA plans to meet with the new HR manager and key representatives of the HR department in early September for a kick-off meeting.

Fieldwork will be on-going as required and will include testing of compliance, and analysis and review of supporting documentation. Once all fieldwork is complete, a final audit report will be submitted through the Audit Committee under separate cover.

Project: **FY 2018/19 Financial Audit by External Auditors & IA Quality Control Review of CAFR**

Status: **In Progress**

Scope:

The CPA firm Lance, Soll and Lunghard, CPAs (LSL) are engaged by IEUA to complete the financial audit of the Agency's operations. IEUA's Fiscal Ordinance requires that a financial audit be completed by a CPA Firm by December 31st (6 months after the close of the fiscal year).

LSL have been working closely with Agency staff to prepare for the FY 2019 Financial Audit. They were in-house conducting preliminary fieldwork during the last week of May 2019. They plan to return in September to complete fieldwork and finalize the audit. IA stays involved and has on-going communication and coordination with LSL and Accounting staff working directly with the auditors. As required by the IA Charter, IA performs a quality control review of the Comprehensive Annual Financial Report (CAFR) documents and related financial documents prior to finalizing the audit and the CAFR for Board approval. During the next quarter, IA will be working closely reviewing drafts and final versions of the financial Trial Balance, schedules, tables, CAFR narratives and final financials, including the Notes. Additionally, IA reviews the prior year's GFOA notes and comments to see that these are addressed in the current year. IA also works with FAD to attend the exit/final meetings related to the completion of both the CAFR and the Single Audit.

LSL attended the June Audit Committee Meeting to discuss the scope of the financial audit. LSL will be attending the Audit Committee Meeting on December 9, 2019 to discuss the results of the audit. This is the fourth year that LSL is performing the required financial audit. The current contract allows for one additional optional year. IA staff is currently working with Contracts and Procurement to exercise the final option.

Project: **Audit Committee Financial Advisor Contract Extension**

Status: **In Progress – to be finalized by December 2019**

Scope:

IA is working closely with Contracts and Procurement and the Audit Committee Advisor for a 5-year consultant agreement for Mr. Travis Hickey, CPA to serve as the Audit Committee's external financial expert. The Audit Committee Charter states that: "The Audit Committee shall have access to at least one financial expert, an outside party, who will provide advisory and consulting duties and shall be compensated as agreed upon in writing with the audit committee, the Board, Agency management and its designees." Additionally, the Audit Committee Charter requires the financial expert to possess education and experience in understanding generally accepted accounting principles and financial statements; auditing comparable entities; application of accounting principles for estimates, accruals, and reserves; internal controls; and an understanding of audit committee functions.

The IAD has sufficient budget set aside for this requirement. The contract amount will fall within the General Manager's signature authority. IA presents this item to the Audit Committee and the Board because the Audit Committee Financial Advisor reports directly to the Audit Committee and Board.

**Internal Audit Department
Quarterly Status Report for September 2019**

Planned/Future/Additional Projects

Project: **Recycled Water Program Revenue Audit**

Status: **Initial Research in Progress**

Scope:

Recycled water revenue in FY 2017/18 was almost \$16.9 million. IA is beginning to evaluate whether the internal controls over revenue recognition comply with Agency policies and legal and regulatory requirements, revenues are recorded accurately in the Agency's accounting records and financial statements and identify any potential additional revenue due the Agency. The Planning & Environmental Resources and Finance and Accounting departments are the primary contact departments. This was a request by the Audit Committee to move this audit up in priority. Anticipated for completion by March 2020.

Project: **Management Requests**

Scope:

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, and/or provide review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices. The management request projects are short-term projects, typically lasting no more than 60–75 hours where IA determines it has the necessary staff, skills and resources to provide the requested assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation, review, analysis or assistance, the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA was working on the following "Management Requests":

- Performed research and informal surveys of similar agencies through CSMFO to obtain information about Board expenditures for Travel and Conferences, the possibility of Cell phone Reimbursements and Healthcare Benefits.
- Continued to assist with policy language interpretation and review of Agency policies.
- Participated in Safety Committee and IT Security Committee

Project: **Special Projects**

Scope:

Perform special reviews and projects including analyzing transactions, evaluating documents and policies, verifying information, assisting with interpretation of Agency Policies or other required procedures, and providing recommendations and feedback on results of the analysis, engaging necessary assistance if and/or when necessary, reporting to the General Manager and the Audit Committee. These services are provided according to the IA and Audit Committee Charters, the Annual Audit Plan, and/or best practices.

Special Projects can be short or long-term projects, typically requiring more than 80 hours of staff time and requiring setting aside or delaying work on scheduled audit projects. The scope of the review is not generally known, and the work must be handled with the highest degree of confidentiality and care, as with all audit projects. Special Projects are usually considered highly confidential.

Internal Audit Department Quarterly Status Report for September 2019

Internal Audit Department Staffing

The Internal Audit Department is staffed as follows:

- 1 Full-time Manager of Internal Audit
- 2 Full-time Senior Internal Auditors

Internal Audit Staff Professional Development Activities:

As required by the *International Standards for the Professional Practice of Internal Auditing*, and the IA Charter, auditors must regularly enhance their knowledge, skills, and other competencies through continuing professional development. During the past quarter, IA staff has continued to stay abreast of industry developments through attending seminars, review of industry literature and participation in on-line webinars.

All three IA members attended the 2019 Institute of Internal Auditors (IIA) International Conference with the theme "A Vibe all Its Own" held in July in Anaheim, CA. The international Conference is the most significant annual training session for the internal auditing profession. The International Conference provided three days of training and seminars, including well-known key-note speakers. Sessions were divided into multiple educational tracks in the following areas: Emerging Issues; Fraud & Ethics; Global Compliance & Risk; Technology; Global Trends: A Look Ahead; Pathway to Leadership; Author Series; and the Public Sector.

The Internal Audit Manager is a member of the governing board of the Inland Empire Chapter of the Institute of Internal Auditors (IIA). One Senior Auditor serves as the Chapter Secretary. The governing board sets direction for the chapter.

Two IA members are preparing for the 3-part Certified Internal Auditor (CIA) examination and certification. The CIA is the only globally-recognized certification for internal audit professionals and is the highest certification that can be attained by an internal auditor.

The Manager of IA has a Master's degree in Public Administration. The Manager of IA and One Senior Auditor are Certified Government Audit Professionals (CGAP®). The CGAP® certification program is designed for auditors working in the public sector and demonstrates government knowledge and expertise. One Senior Auditor is a Certified Public Accountant (CPA) and Certified Internal Auditor (CIA).

Future Audit Committee Meetings:

- *Monday, December 9, 2019 – Regularly Scheduled Audit Committee Meeting*
 - *Monday, March 9, 2020 – Regularly Scheduled Audit Committee Meeting*
 - *Monday, June 8, 2020 – Regularly Scheduled Audit Committee Meeting*
-