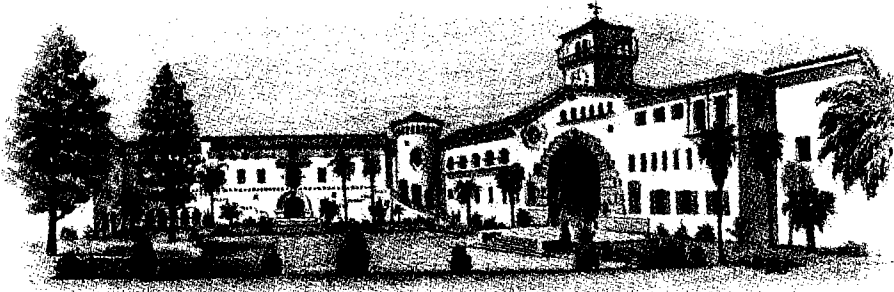


COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
AUDITOR-CONTROLLER



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OFFICE OF THE AUDITOR-CONTROLLER

August 31, 1992

William P. Ricciardi
Solano County Auditor-Controller
600 Texas Street
Fairfield, CA 94533

Dear Mr. Ricciardi:

In accordance with their assignment from the State Association of County Auditors Audit Chiefs' Committee, our Internal Audit Division has conducted an external quality review of your Audit Section.

Our review indicates that your Audit Section fully complies with the Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing*.

In the course of our review, we have noted two exemplary observations of practices and procedures that we feel deserve commendation, as well as two minor observations of practices and procedures that we feel might be enhanced.

We are enclosing a copy of our report together with our findings and recommendations.

Our staff wishes to thank your Chief of Audits, Simona Padilla-Scholtens, for her invaluable assistance in helping us to perform our review in an efficient and expeditious manner.

Sincerely,

Robert W. Geis, CPA
Auditor-Controller

Enclosure

c: Simona Padilla-Scholtens

QUALITY ASSURANCE REVIEW
SOLANO COUNTY
INTERNAL AUDITING DEPARTMENT

I. Introduction

A. Objectives

The primary objective of our quality assurance review was to determine whether the internal auditing department of Solano County was in compliance with The Institute of Internal Auditor's (IIA) *Standards for the Professional Practice of Internal Auditing*. Other objectives were to determine whether the internal auditing department was in compliance with statutory obligations, established policies and procedures, and, as necessary, to provide recommendations for improving the internal audit function.

B. Scope

The scope of the review included:

A self-study report (prepared by the director of internal auditing), which contained background information about the internal auditing department, organizational status, operating environment and established departmental policies, procedures, and practices.

An auditee survey sent to management officials who had been audited during the last year, which solicited their responses concerning the scope, nature and quality of internal auditing within Solano County.

Interviews held with the County Administrator's Office, senior management personnel of audited departments, the Solano County Auditor-Controller, the internal auditing staff, including the Director of Internal Auditing, and the audit manager from Solano County's CPA firm.

A review of audit policies, procedures, practices, and information used for managing the internal auditing department.

An examination of a sample of audit files completed within the last 12 months.

A visit to Solano County's internal auditing department on July 23 and 24, 1992. The fieldwork for our review began on July 23, 1992 and was completed on July 24, 1992.

QUALITY ASSURANCE REVIEW
SOLANO COUNTY
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II. Evaluation

A. Overall Opinion

The internal auditing department of Solano County fully complies with the IIA's *Standards for the Professional Practice of Internal Auditing*.

This opinion means that policies, procedures, and an internal auditing charter existed and were judged to be in accordance with the *Standards*. Any deficiencies found in applying the policies, procedures, or provisions of the charter were deemed minor.

B. Summary

A charter for the internal auditing department has been drafted and incorporated in a comprehensive audit manual.

The internal auditing department has employed and retained a staff possessing an outstanding professional background.

We have established by interview with those concerned that exit conferences between internal auditors and management of auditee departments are an established policy and procedure. Documentation of these meetings, attendees, and their content, however, has not been incorporated in the audit working papers.

Interviews with the internal audit staff disclose that annual employee performance evaluations contain generalized comments in lieu of addressing the specific points outlined on the back of the employee performance evaluation report.

We believe this report contains recommendations and suggestions which, if implemented, will build a more effective internal audit organization.

QUALITY ASSURANCE REVIEW
SOLANO COUNTY
INTERNAL AUDITING DEPARTMENT

III. Conditions and Recommendations

This section contains our observations as they relate to the five general *Standards* - Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, and Management of the Internal Auditing Department. For each standard we identify the conditions observed and, where necessary, make recommendations for improvement which would also ensure full compliance with the *Standards*. In addition, we have identified certain enhancements for consideration even though the activity is in compliance with the relevant standard.

For those satisfactory conditions observed which are exemplary of the standard, we do not cite any guidance. For conditions where recommendations for improvements or enhancement suggestions are made, we cite relevant guidelines which describe suitable means for implementing the applicable standard.

A. **STANDARD 100 - INDEPENDENCE - INTERNAL AUDITORS SHOULD BE INDEPENDENT OF THE ACTIVITIES THEY AUDIT.**

1. Condition Observed: Solano County has drafted a well written, comprehensive audit manual including an internal audit division charter and mission.

Recommendation: None.

B. **STANDARD 200 - PROFESSIONAL PROFICIENCY - INTERNAL AUDITS SHOULD BE PERFORMED WITH PROFICIENCY AND DUE PROFESSIONAL CARE.**

1. Condition Observed: Solano County is to be commended on the professional qualifications, training, experience and stability of their internal audit staff.

Recommendation: None.

C. **STANDARD 300 - SCOPE OF WORK - THE SCOPE OF THE INTERNAL AUDIT SHOULD ENCOMPASS THE EXAMINATION AND EVALUATION OF THE ADEQUACY AND EFFECTIVENESS OF THE ORGANIZATION'S SYSTEM OF INTERNAL CONTROL AND THE QUALITY OF PERFORMANCE IN CARRYING OUT ASSIGNED RESPONSIBILITIES.**

1. Condition Observed: None

QUALITY ASSURANCE REVIEW
SOLANO COUNTY
INTERNAL AUDITING DEPARTMENT

D. **STANDARD 400 - PERFORMANCE OF AUDIT WORK - AUDIT WORK SHOULD INCLUDE PLANNING THE AUDIT, EXAMINING AND EVALUATING INFORMATION, COMMUNICATING RESULTS, AND FOLLOWING UP.**

1. **Condition Observed:** While interviews with the auditors and auditees indicate that exit conferences are held to resolve issues raised in the course of audit field work, and to obtain concurrence on findings and recommendations, no record of these conferences, attendees, or content are incorporated into the audit working paper files.

Standard Guidelines: The internal auditor should discuss conclusions and recommendations at appropriate levels of management before issuing final reports.

Recommendation: Documentation of exit conference times, locations, attendees, subjects, management input, and conclusions in the audit working papers will provide support for the resolution of audit points omitted from the audit report, as well as evidence that management's viewpoint was weighed in considering findings and recommendations incorporated in the report.

E. **STANDARD 500 - MANAGEMENT OF THE INTERNAL AUDITING DEPARTMENT - DIRECTOR OF INTERNAL AUDITING SHOULD PROPERLY MANAGE THE INTERNAL AUDITING DEPARTMENT**

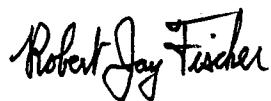
1. **Condition Observed:** Internal audit employee annual performance evaluation reports have been drafted in non-specific general terms, although instructions request detailed observations on work habits, personal relations, initiative, dependability, communications, adaptability, sick leave record, safety record, supervisory ability, and administrative ability.

Standard Guidelines: The program for selecting and developing the human resources of the internal auditing department should provide for appraising each internal auditor annually and providing counsel to internal auditors on their performance and professional development.

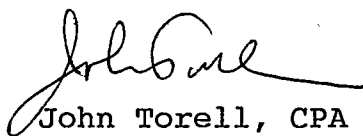
Recommendation: Detailed observations on specific areas of job performance benefit both the management and the employee by highlighting strengths to be tapped and outlining areas where improvement is desirable.

QUALITY ASSURANCE REVIEW
SOLANO COUNTY
INTERNAL AUDITING DEPARTMENT

We should like to thank William P. Ricciardi, Solano County Auditor-Controller; Hitesh Parekh, Solano County Administrative Office; Susan Rogers, Solano General Services Department; Gail Lamkins, Solano County Public Guardian; Mike Obelleiro, Silveyville Cemetary District Manager; and especially Simona Padilla-Scholtens, Solano County Chief of Audits and her internal audit staff for their cooperation and assistance in the conduct of our review.



Robert Jay Fischer, CPA
Auditor-in-charge



John Torell, CPA
Chief, Internal Audit