

INDEPENDENT AUDIT REPORT OF THE CITY OF RIVERSIDE'S INTERNAL AUDIT DIVISION



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Services

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AUDIT REPORT

The audit report is divided into 7 sections:

1. Audit report (*8 recommendations*)
2. Peer review opinion letter
3. Management letter (*13 recommendations*)
4. Internal audit best practices (*15 recommendations*)
5. Hotline best practices (*7 recommendations*)
6. Survey of audit functions in the 12 largest CA cities
7. Comprehensive list of audit recommendations

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Audit objectives were to assess:

- IAD's practices against key elements of an effective public sector auditing organization
- IAD's conformance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards)
- IAD's practices against industry standards and best practices
- IAD's fraud hotline practices against industry standards and best practices
- The adequacy of IAD's performance measures
- IAD's staffing capacity

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9 Essential Elements to be Effective

To be an effective public sector auditing organization the IAD needs to improve in the following nine key areas:

- Audit powers and duties established in a formal charter
- Organizational independence
- Professional standards
- Sufficient funding
- Stakeholder support
- Unrestricted access
- Competent leadership
- Competent staff
- Objective staff

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AUDIT RESULTS

The City of Riverside's IAD needs significant organizational and procedural changes to become more effective

We found that IAD:

- Lacks a formal charter
- Is not independent
- Does not comply with professional standards
- Lacks sufficient funding
- Lacks adequate stakeholder support
- Lacks formal authority for unrestricted access
- Needs to revise the role of the Internal Audit Manager
- Needs to improve staff competencies
- Lacks a process for ensuring that staff is objective on audits

Many of the IAD's problems can be attributed to how the audit function was originally established in 2005.

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AUDIT RESULTS

We found that IAD is not in compliance with IIA Standards

- Management letter includes 13 recommendations to improve compliance with IIA Standards

We found that IAD's practices are not consistent with industry standards and best practices

- Report section includes 15 recommendations to improve practices

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AUDIT RESULTS

We also found that IAD's hotline design and operations are not consistent with best practices and recommends 7 improvements including:

- Contract with a third party vendor to improve phone and web capabilities
- Enact a Whistleblower Protection Ordinance
- Reassign the responsibility for administering the fraud hotline to another organizational unit within the City
- Issue substantiated investigation reports publicly in accordance with the California Government Code

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