

Arlington County Auditor Policies and Procedures

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Chapter 1: Introduction

This manual is to establish and communicate the vision, values, and internal policies and procedures (P&P) for the Arlington County Auditor.

The County Auditor conducts performance audits of all departments, offices, boards, commissions, activities, and programs of Arlington County that directly or indirectly report, or are accountable, to the County Board in order to independently and objectively assess a wide variety of audit topics. Performance audits may include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. If, during an audit, the County Auditor becomes aware of potential fraud, abuse, or illegal acts or indications of such acts that could affect the County, the County Auditor will follow up as appropriate under government auditing standards (GAS 6.30-6.34). However, the County Auditor does not conduct full fraud investigations, nor does the County Auditor conduct financial statement audits. Consequently, this manual does not cover financial auditing.

Audit Vision and Values

The County Auditor function is imbued with a specific vision and value set that should permeate all decisions related the County Auditor's work. The values are expressed as action terms to emphasize that these ideas are not just intellectual constructs but daily activities that form the overall County Auditor culture. The County Auditor's values are organized in a "stream" that progresses from self to the organization to the community, resulting in the ultimate goal of positive impact through public service.

Vision and Values

Vision

The County Auditor will create positive impact for Arlington County and the government accountability community by being a thoughtful source of leading practices in public service.

Values

- 1. Having Integrity** – We do the right things in the right way. We are independent, objective, non-partisan, and fact-driven. We have competence for our work and continually strive to improve our skills.
- 2. Listening and Collaborating** – We recognize that the best auditing occurs when we have the humility required to hear and consider the insights, concerns, and experiences of auditees as a complement to our own professional expertise. We focus on working with the County Board and County management to drive toward leading practices in a way that honors the efforts and good faith of other County employees and volunteers.
- 3. Focusing on the Community** – We commit to the belief that the best government is one that maintains a deep focus on the needs of citizens and the community from an attitude of servant leadership.
- 4. Creating Impact** – We create a positive impact on the community when we implement our values in our work, and in so doing we facilitate, encourage, and highlight the impact of other Arlington County public servants.



General Purpose of the Manual

This manual primarily serves as a reference for the County Auditor, any audit staff, and peer reviewers. In addition, the manual can help explain the County Auditor's work to those outside of the program. The manual helps to set the environment for adherence to Generally Accepted Government Audit Standards (GAGAS), which are the primary standards underlying this manual and procedures. The manual is part of maintaining quality controls required under professional standards and communicating those to all internal auditors (GAS 3.82).

It is the intent that this manual be periodically reviewed and updated as conditions warrant. It is not intended to be all-inclusive. The County Auditor uses professional judgment in determining compliance with professional standards. The GAGAS standards will provide the highest level of guidance for implementation, then the Board Charge, and finally this P&P document.

Within the P&P the County Auditor explicitly recognizes modifications to optimal compliance with each standard, when applicable, due to small staff size (one-person audit function).

Other Sources of Guidance

In addition to this P&P document, other documents help to codify the guidance for the County Auditor in conducting performance audits.

- The *Board Charge: Independent County Auditor (Revised June 20, 2017)* serves as the audit charter for the County Auditor and the Audit Committee – See **Appendix A** for a full copy of the Board charge.
- GAGAS: published by the Comptroller General of the United States (as revised in December 2011) GAO-12-331G. (Effective 12/15/11) <http://www.gao.gov/yellowbook>
- An electronic audit documentation application is used to document workpapers and the application of GAGAS.¹

Other audit standards, notably the *International Standards for the Professional Practice of Internal Auditing*, are also valuable and portions of their provisions may be incorporated into this P&P document. However, the County Auditor does not claim compliance with any standards except GAGAS.

Overview of the Document

This P&P document primarily addresses how the County Auditor will move through the audit process. Regardless of the topic, the process followed in conducting audits and reporting audit results consists of the phases shown below. These generally follow Chapters 6 and 7 of the GAGAS 2011 revision, which lay out planning, fieldwork, and reporting standards.

Following is an executive summary of the P&P document.

Chapter 2: Audit Selection – The Annual Audit Work Plan sets out the County Auditor's work for the year, and is approved by the County Board. Audit topics are proposed by the County Auditor with input from the Audit Committee, County Manager, and other County management personnel. The County Auditor

¹ The County Auditor appreciates the generosity of the King County Auditor (WA), who shared the original version of the electronic audit documentation application which had been developed within her office.



uses various inputs to make a proposed work plan, such as the use of County data, previous audit topics, discussions with County management and staff, and input from County advisory commissions. This chapter also addresses independence.

Chapter 3: Audit Initiation - Once the audit plan is approved, initial administrative tasks include notifying the department to be audited, identifying potential scope, objectives, and methodologies, and setting up the electronic workpaper documentation application.

Chapter 4: Audit Planning - During the audit planning phase, the County Auditor becomes familiar with the department or function by conducting background interviews and research. In addition, the County Auditor identifies risks and potential issues, and develops fieldwork audit objectives and methodologies.

Chapter 5: Audit Fieldwork - Fieldwork consists of data collection, analysis and other activities designed to meet audit objectives. During fieldwork, auditors obtain more specific information to support and document audit findings.

Chapter 6: Audit Reporting - Reporting is the preparation of the written report, which communicates audit findings, conclusions and recommendations. The input of the auditee management is sought during the reporting phase, in accordance with the Board Charge (audit charter). The final management response to the audit is expected to be included in the audit report. The audit report is made available to the Board, County Management, the Audit Committee, and the public.

Chapter 7: Audit Follow-Up - The County Auditor follows up on audit recommendations at regular intervals to help document management's agreement with audit findings and to ensure that appropriate action is taken to resolve problems identified in audits. At least once annually, an audit follow-up report is made available to the Audit Committee.

Chapter 8: Other Administrative Guidance - In addition to the phases of the audit process, Chapter 8 of this document covers general considerations, such as the performance of non-audit services, and administration tasks such as timekeeping and staffing the Audit Committee. Some of these areas have been addressed extensively in the Board charge, and the P&P will not duplicate these provisions.

Appendix A: County Board Charge – The County Board Charge (revised) was approved on June 20, 2017, and serves as the charter for the County Auditor's function as well as for the Audit Committee.

Appendix B: Authority to Appoint a County Auditor – The Virginia General Assembly in 2015 gave Board for counties operating under the County Manager Plan of government the authority to hire a County Auditor.

Recognition

The County Auditor deeply appreciates the generosity of government auditing colleagues throughout the country in sharing thoughts for the development of the Board Charge and the P&P manual. In particular, auditors from Deschutes County, OR; Lane County, OR; and Lawrence, KN – all one-person audit shops – shared their P&P Manuals for guidance and discussed their thinking in phone calls and emails. In addition, auditors from RSM, the external consultant to the Arlington County Internal Audit Program, began developing a County Auditor process manual during a period between County Auditors, and elements of RSM's work were also used in this P&P manual.



Updates

July 1, 2017	Original P&P implementation date
September 7, 2017	Added Appendix B, Updated Chapter 2 to include additional audit selection criteria
October 18, 2017	Received technical review feedback from Audit Committee. Some minor changes made as a result.



Chapter 2: Audit Selection

In accordance with Board Charge, a one to three-year Annual Audit Work Plan (Work Plan or Plan) is submitted the County Board for approval. The Work Plan is submitted to the Board for approval in June, prior to the beginning of the fiscal year covered by the plan. The Work Plan consists of performance audits expected to be completed in the fiscal year, audits that are available to be conducted if the expected audits are completed, and an audit horizon identifying audits that may be completed in future years.

Risk Assessment

Performance audits are selected based on a risk assessment process. The purpose of the risk assessment is to identify audits that would yield higher value for the organization. The definition of value includes, but is not limited to, financial and strategic considerations, community service, equity, and effectiveness. There are a wide range of risk assessment criteria. Not all criteria will be weighted the same each year.

Key criteria to be considered by the County Auditor are listed below. This list is not exhaustive, nor does the list imply the priority of one criterion over another.

- Areas where impactful new initiatives have recently been introduced
- Areas where significant recent spending increases have occurred
- Audit staff expertise
- Audit work in leading practice audit shops
- Audit work in other similar communities
- Board and County Manager strategic priorities
- Budgeted amount for a department, function, or program
- County Auditor function strategic needs
- Feedback from County management and staff
- Feedback from County Board
- Feedback from Audit Committee members
- Feedback from public (with emphasis based on feedback from County advisory commissions and broad-based civic groups)
- Potential to enhance effectiveness, efficiency, transparency, and/or equity
- Potential to identify cost savings
- Providing audit coverage across a variety of departments
- Previous audit findings in Arlington County
- Public impact
- Public interest

Because of the need to review the draft Work Plan with various stakeholders, the County Auditor's risk assessment process will start midway through the fiscal year. Key stages of the process will include soliciting feedback from a wide variety of stakeholders regarding key areas for possible inclusion in the Work Plan, drafting the Plan, holding a public Plan review session with the Audit Committee, and final approval of the Work Plan by the County Board.



The typical timeline of the risk assessment and Work Plan development process is shown in Table 1 below. These represent goals rather than hard deadlines, except that the Work Plan should be ready for Board approval prior to the beginning of the fiscal year covered by the Plan.

Table 1 – Typical Work Plan Development Timeline

January - February	Solicit feedback from County Manager and Executive Leadership Team, County Attorney, Audit Committee, and County Board on risk areas and potential audit scopes and objectives. This will happen through surveys, interviews, or both.
Early March	County Auditor completes draft Work Plan.
March 15	Review draft plan with Audit Committee co-chairs.
March 15 - April 30	Review draft plan with Audit Committee and Board members.
May/June	County Auditor finalizes Annual Audit Work Plan, and presents to County Board for approval.

Flexibility

The Work Plan is designed to be a flexible, dynamic document that allows for the addition of audits that address risks that may appear during the year, or whose priority to the organization may change during the year. In such cases, the County Auditor will assess these emerging risks, consulting with the County Board, Audit Committee, and County management, and make a determination regarding whether audit resources should be allocated to meet the emergent need.

Staffing Needs Assessment

In a one-person audit shop staffing needs assessments primarily relate to determining whether external assistance may be needed. Thus, assessing staffing needs is generally done during the Work Plan development process. Because this assessment relates to the development of a budget, the County Manager, the County Board, and the Audit Committee each have roles to play in the staffing needs assessment. In some cases, such as a subject area that may receive multiple audits in a fiscal year, the final determination regarding external assistance may be deferred until a time after the approval of the Work Plan.

Independence

The County Auditor function in Arlington County is structurally independent, as it reports directly to elected officials who also oversee the County Manager. However, individual engagements may present other threats to independence. These independence threats should be evaluated and addressed during the audit selection phase. Methods of addressing independence issues may include documenting the threat as part of the independence statement; limiting the scope of the audit and disclosing the limitation in the report; deciding not to perform a low-risk audit that presents a significant independence threat for the County Auditor; and deciding to procure an external firm to perform an audit in a medium to high-risk area that presents a significant independence threat for the County Auditor. For documentation convenience, the County Auditor will sign and maintain an independence



statement for each individual audit. The independence statement template is located within the *Administrative Forms* file.



Chapter 3: Audit Initiation

Some administrative activities are completed at the beginning of each audit. These include informal communications, sending the engagement letter, holding the entrance conference, and setting up audit files.

Informal Communications

Informal communications involve reaching out to key internal management (e.g., Deputy County Manager and Department Director) to identify logistics and areas of interest for the audit. For example, the Deputy County Manager will be offered an opportunity to be included in the audit status reports. The Department Director may also identify key staff to include in the entrance conference.

Engagement Letter

The engagement letter formally communicates the beginning of the audit. The engagement letter is addressed to the Department Director whose function, program, office, or department is the subject of the audit. The engagement letter is copied to the County Manager, the relevant Deputy or Assistant County managers, and to other department staff as indicated by the Department Director.

The engagement letter reviews the audit process in brief, including the management response process. The letter also sets forth a list of items, documents, or other information the County Auditor should be provided during the entrance conference. The engagement letter template is located within the *Administrative Forms* file.

Entrance Conference

The entrance conference constitutes the first formal audit meeting, and marks the beginning of the planning phase of the audit. The entrance conference has various purposes, including:

- Reviewing the expected objectives and scope with audited entity management;
- Reviewing the phases of the audit with the audited entity management;
- Discussing the anticipated timeframe for the audit;
- Receiving information requested in the engagement letter;
- Discussing audit logistics, such as the primary point of contact and access to data systems;
- Discussing any special considerations;
- Discussing issues of interest to management for possible inclusion in the audit objectives and scope; and
- Setting the tone of a “no-surprises” audit.

The entrance conference should be concluded prior to holding interviews with audited entity staff, but other background research can be conducted prior to the entrance conference.

Setting up Audit Files

The County Auditor documents audit work using electronic work papers. All documents should be developed electronically, obtained electronically, or converted to an electronic format from a non-electronic source. The audit workpapers are documented in an Excel spreadsheet designed for this

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purpose. It is important that the audit workpapers be stored in a drive that is backed up by a server, and in which access is controlled by the County Auditor.

Part of setting up the audit files includes using pre-set templates. The templates, including workpaper and report templates, are found in the **Administrative Files** folder.

To facilitate effective audit documentation maintenance, the County Auditor uses some basic procedures for documentation, audit folder, workpaper numbering, and file naming conventions.

Folders

Audit folders are located under *Audits* and use the name of the audit as approved on the Annual Audit Work Plan. The name of the audit does not pre-set the title of the report.² Within the main audit folder, the audit will have folders for planning, fieldwork, reporting, and follow-up. All final workpapers will be stored in these folder. Non-final workpapers may be stored elsewhere depending on circumstances.

Workpaper Documentation

The Excel spreadsheet in which workpapers are documented is located in the relevant audit folder under *Audits*. The spreadsheet file name uses the name of the audit in the electronic file name. The spreadsheet allows the County Auditor to track planning and fieldwork audit activities with cross-references to key GAGAS provisions.

Workpaper Numbering

Workpaper files are numbered using a simple convention that allows the user, such as a peer reviewer, to understand the audit phase and program step to which the workpaper relates.

- For the planning phase, workpapers are titled **PWP-X** where X stands for a sequential number. If supplementary workpapers are created to support the original workpaper, they will be titled **PWP-X.1, PWP-X.2**, etc. These workpapers help to show a workpaper group that should be viewed in an entirety, such as documents referenced and discussed in an interview.
- For the fieldwork phase, the workpaper number relates to the audit program and includes a reference to the audit objective and audit step. For example, the first workpaper related to Objective A, step 1 would be number **A-1-1**. If supplementary workpapers are created to support this original workpaper, they would be titled **A-1-1.1**, etc. These workpapers help to show a workpaper group that should be viewed in an entirety.
- For the reporting phase, only two drafts are maintained as workpapers. These include updated and cross-referenced draft, and the final draft to be made public. The report files should be named as appropriate but do not need to be numbered.³

² See *Chapter 6, Audit Reporting* for more information about including the message of the report in the title of the audit.

³ See *Chapter 6, Audit Reporting* for practices related of each of the drafts.



File Naming

To help ensure consistency, ease of use, and ease of retrieval in the event of disaster recovery, each workpaper file should be saved using only a consistent audit identifier, the workpaper number, and the appropriate file extension. For example, in a hypothetical audit of Traffic Signals the file name for the first workpaper related to Objective A, step 1 in fieldwork would be number ***Traffic Signals A-1-1.[file extention]***. For reports the workpaper file name would be either ***Traffic Signals Cross-Referenced Draft.[file extension]*** or ***Traffic Signals Final Public Draft.[file extension]***.



Chapter 4: Audit Planning

The purpose of audit planning for the County Auditor is to gather information that is sufficient and necessary to finalize the fieldwork audit objectives, scope, and methodologies, and to codify an audit program for conducting fieldwork. This chapter covers the planning phase of the audit, specifically addressing provisions discussed in GAGAS (2011 revision) 6.06-6.12, and elaborated upon thereafter.

Standard Planning Activities

While fieldwork activities vary based on the nature and risks of each audited entity, for each audit engagement there are standard planning activities. These activities align with GAGAS, and may only be eliminated with thorough justification. The planning activities will be documented with electronic workpapers and stored in the documentation spreadsheet that is used for the overall engagement.⁴

Planning workpapers should demonstrate the adequacy of planning and development of audit objectives, and detail the County Auditor's developing understanding of risk and significance for areas under audit. Planning workpapers will document evidence that is sufficient and appropriate to support findings and conclusions, as needed.⁵

To complete planning activities various audit methodologies are used. These include, but are not limited to:

- Interviews of management and staff of the audited entity
- Reviews of financial information
- Reviews of management information, such as flow chart, policies and procedures, and staff analyses
- Physical observations of key process and activities
- Assessment of systems relevant to the initial audit objectives
- Other research as specified in Table 2 below

Planning Budget

The County Auditor will develop a budget and timeline for the planning phase to help ensure the efficient use of time. The planning budget will be consolidated with the fieldwork and reporting budget at the end of the planning phase to create an overall audit budget.

Planning Scope

The scope of planning activities is generally limited to assessing risks and their significance in the audited entity's following attribute areas. Adhering to this scope will help to use the County Auditor's time

Audit Objectives

Initial audit objectives are contained in the Annual Audit Work Plan. Planning activities are framed by the initial audit objectives.

Fieldwork audit objectives are the objectives that have been finalized as the result of information gathered during the planning phase. Fieldwork audit objectives are answered in the audit program. In some cases, fieldwork audit objectives may evolve over the course of fieldwork.

⁴ See *Chapter 3, Audit Initiation* under the *Setting Up Audit Files* section for workpaper documentation and storage guidance.

⁵ See *Chapter 5, Audit Fieldwork* under the *Evidence* section for a brief discussion of sufficiency and appropriateness related to evidence.



efficiently while also developing information necessary to create audit objectives that address significant needs or risks of the audited entity.

Table 2 – Attribute Areas for the Planning Phase

Attribute Area	Implementation Guidance	Other References
The nature of programs and needs of potential users	Developing the nature and profile of the audited entity involves gathering basic information about elements such as the program’s strategic plan and objectives, finances, structure, staffing, age, program variety, oversight, and important external factors that impact the program. Information developed for this attribute area may also be used as background in the audit report.	GAGAS 6.13-6.15
The design and implementation of internal controls	<p>Internal controls, also known as management controls, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. Management controls should be designed to provide reasonable assurance regarding the achievement of objectives in the following areas:</p> <ul style="list-style-type: none"> ▪ Achieving program objectives ▪ Efficiency of operations ▪ Reliability of financial reporting. ▪ Compliance with applicable laws and regulations ▪ Safeguarding assets <p>Controls which the County Auditor reviews include such things as:</p> <ul style="list-style-type: none"> ▪ Mission statement, goals and objectives, priorities, and strategic plans ▪ Organizational structure and assignment of staff duties ▪ Written policies and procedures ▪ Performance standards and measurement outcomes ▪ Management reports ▪ Internal control over financial assets 	GAGAS 6.16-6.22
The design and implementation of information system controls	Information systems controls are an important subset of management controls. Information system controls include general controls, application controls, and user controls. While the information system controls in use	GAGAS 6.23-6.27



	<p>in an audited entity are generally broad, the County Auditor should focus on those controls significant to the initial audit objectives. However, these initial audit objectives can be revised for fieldwork if significant information is developed regarding potentially inadequate information system controls.</p> <p>The County Auditor should document review of information system controls separately from the documentation of other management controls, as befits the increasing importance of information systems to the organization.</p>	
Applicable legal and regulatory requirements, ongoing investigations or legal proceedings, and risks of fraud	<p>The County Auditor should identify provisions of law, regulations, contracts, grant agreements, or other guidance significant to the initial audit objective, or that indicates risk of non-compliance.</p> <p>Implementation Note: If the County Auditor finds indications that legal non-compliance may be occurring, a review of this assessment with the County Attorney is required.</p>	GAGAS 6.28-6.29
Risk of fraud	<p>In planning the audit, the County Auditor will assess risks of fraud occurring that are significant within the context of the audit objectives. Fraud involves obtaining something of value through willful misrepresentation.</p> <p>Implementation Note: If the County Auditor finds indications that fraud may have occurred or may be occurring, follow-up work is required insofar as needed to demonstrate the likelihood of this fraud possibility. If in the professional judgment of the County Auditor, fraud is likely to have occurred, the information should be shared as specified in the <i>Report of Irregularities</i> section of the Board Charge.</p>	GAGAS 6.30-6.32
The results of previous audits or attestation engagements related to the audit	<p>This information may be identified by the County Auditor solely or through cooperation with the audited entity. When assessing such audits or attestation engagements, the County Auditor should assess the reliability of the results. If reasonable to rely on, the results can impact the development or limitation of the audit scope, and the formation of the final audit objectives for fieldwork.</p>	GAGAS 6.36, 6.40-6.44



Other Planning Considerations

Prior to completing standard planning activities in the course of the audit, the County Auditor will complete the following tasks.

Assessing Staff Resources

The County Auditor considers the skills and knowledge needed to conduct the audit and determines the possible need for outside assistance or expertise. In addition, the County Auditor identifies potential internal resources, i.e. professional personnel such as accountants, attorneys, engineers whose expertise might be useful for technical issues that arise in the audit and who are independent from the activity being audited. If outside assistance is necessary, it will be discussed with the County Board and a request for funds will be initiated.

Preparing the Audit Plan and Final Audit Budget

A written fieldwork audit plan is prepared for each audit. The audit plan contains the final fieldwork audit objectives and the methods and audit steps County Auditor plans to use to address the fieldwork audit objectives. The audit plan should be sufficiently detailed to allow the development of the all elements of a finding at the end of audit fieldwork. Some of these elements may have been completed within the audit planning phase.

The audit plan will also include the anticipated number of hours used on direct audit activities for fieldwork and reporting, as well as the anticipated timeline for completion of the audit (inclusive of fieldwork and reporting). This information is combined with the planning budget to create the final audit budget.

Communicating with Audited Entity Management

After the written audit plan is developed, the County Auditor will offer to meet with audited entity management to discuss the fieldwork audit objectives and the anticipated fieldwork timeline. Other update meetings during audit planning are held as agreed upon with management during the entrance conference.⁶

⁶ See also the Oral Reporting section in Chapter 6: Audit Reporting.
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Chapter 5: Audit Fieldwork

The fieldwork phase of the audit focuses on answering the audit objectives and developing findings and conclusions that will be reported to management, the County Board, the Audit Committee, and the public.

Findings

Audit findings are the culmination of audit fieldwork. Audit findings may be narrow or broad, ranging from individual transactions to management policies and actions. However, each finding is supported by four elements: condition; criteria; cause; and effect.

- A *condition* refers to a factual observation, generally regarding a current state or situation. A condition may be narrow or broad.
- *Criteria* provide the benchmark against which the condition can be measured, and allow the auditor to determine whether the condition can be improved. Criteria may be specific information contained in policies and procedures, contracts, or grant agreements. Using criteria may also involve professional judgment, such as is used in reviewing relevant literature or selecting comparison communities to survey.
- The *causes* refer to preceding events or situations that resulted in the *condition*. In cases where the condition needs improvement, the causes help to isolate targets for audit recommendations. In cases where the condition is satisfactory or exemplary, one or more of the causes may serve as a leading practice for other areas of the organization.
- The *effects* refer to events or situations that results from the condition. Effects are the “so what” of a finding, and documenting the effects helps to persuade management, policymakers, and the public of the importance of the finding. Negative effects range widely and include inefficiency, ineffectiveness, inequity, poor customer service, financial waste, or threats to life and safety. Positive effects include excellent customer service, cost savings, or innovation. Sometimes effects are theoretical; that is, the condition has created a risk that an effect will occur, but such effects have not yet been seen. Theoretical effects are important but not as persuasive as actual effects.

These four elements build toward a fifth element: *recommendations*. This element generally should flow logically from the cause of a finding rather than the condition. However, recommendations that flow from the condition rather than the cause may be appropriate based on the scope and objectives of the finding.

Implementation Note: For each finding, the County Auditor will develop a finding summary workpaper that specifies the relevant finding elements, and cross-references to supporting workpapers. The finding summary sheets are expected to form the basis of the report draft.



Evidence

To address the audit objectives, the County Auditor will develop sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions.

- *Appropriateness* is the measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence. Evidence is appropriate when it speaks directly to the needs of the audit objectives (relevance), when it represents what it purports to represent (validity), and when it is consistent across measurements (reliability).
- *Sufficiency* relates to the quantity of evidence that is developed to support findings and conclusions. Evidence is sufficient when, in aggregate, it is appropriate, meaningful, and persuasive.

Any single source of evidence may be appropriate, but in general multiple sources of evidence are needed to achieve sufficiency. Discussions with management and staff of the audited entity will help in the County Auditor's assessment of evidence. The County Auditor will, using this feedback and professional judgment, make the final determination regarding the sufficiency and appropriateness of evidence to establish findings and conclusions. Auditors should not rely entirely upon one source such as management documents, limited interviews, information systems, or their own interpretation of facts. Audit findings should be based upon evidence sufficient to outweigh all countervailing evidence. Auditors should actively seek, and the audit report should incorporate, any extenuating circumstances, reasonable management explanations, mitigating factors or other pertinent information. Failure to consider or address all significant facts can weaken credibility and create the appearance that the auditors lack objectivity.

Paragraphs 6.56 – 6.72 of GAGAS (2011) provide additional guidance regarding sufficiency, appropriateness, and how an auditor uses professional judgment to evaluate these two qualities of evidence. As part of this evaluation, the County Auditor develops and assesses the level of strength of evidence to support findings and conclusions. Figure 1 provides an overview of a hierarchy of evidence strength, which is elaborated upon in Table 3.

Figure 1 – Hierarchy of Evidence

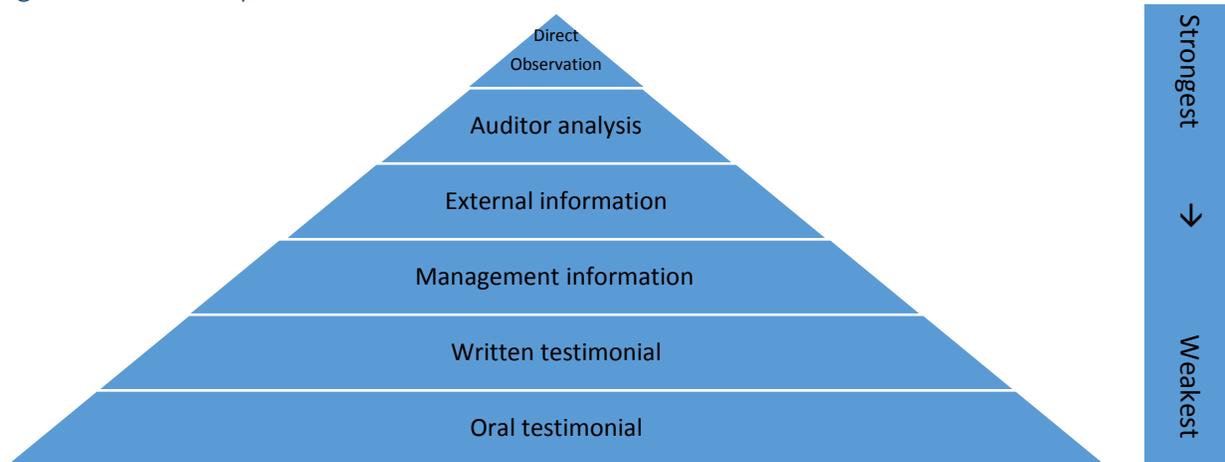




Table 3 – Hierarchy of Evidence Explained

Source of Evidence	Example of Evidence	Quality of Evidence	Uses of Evidence
<i>Direct observation</i>	<ul style="list-style-type: none"> • Auditor performing walk-throughs or job shadowing • Physical inspection of inventory • Auditor photos 	<p>Strongest – External evidence is presumed more reliable than internal evidence. Direct personal observation gives the greatest confidence in the accuracy of the information.</p>	<ul style="list-style-type: none"> • Helps to identify conditions, causes, and effects. • Generally can stand alone to support relevant findings or conclusions • Limited opportunities to have direct observation
<i>Auditor analysis</i>	<ul style="list-style-type: none"> • Auditor-generated surveys of staff perceptions • Results of audit sampling, when validated by auditors • File reviews, when validated by auditors • Management data extracted or developed by auditor and analyzed by auditor • Auditor computations, comparisons, and rational arguments 	<p>Strong – External evidence, as auditor analysis involves validating management information through cross-checking or assessment of adequacy of internal controls.</p>	<ul style="list-style-type: none"> • Helps to identify conditions, criteria, causes, and effects • May be able stand alone to support relevant findings or conclusions • Preferably most of the evidence for the findings will come from auditor analysis.
<i>External information</i>	<ul style="list-style-type: none"> • Literature reviews • Benchmarking • Expert analysis 	<p>Moderately Strong – External evidence. Strength of the evidence dependent on its appropriateness.</p>	<ul style="list-style-type: none"> • Helps to identify conditions, criteria, causes, and effects • May be able stand alone as persuasive evidence to support relevant findings or conclusions, depending on the risk level of issue that is subject of a finding, and on the fieldwork audit objective. • Reliability of the source should be weighed in assessing evidence.
<i>Management information</i>	<ul style="list-style-type: none"> • Policies and procedures • Management analyses 	<p>Moderately Strong – Internal evidence Internal evidence is presumed to be less reliable than</p>	<ul style="list-style-type: none"> • Generally management information is readily obtainable.



	<ul style="list-style-type: none"> • Departmental records • System data provided by audited entity, analyzed by auditor • Results of audit sampling, when not validated by auditors • File reviews, when not validated by auditors 	evidence from outside the entity. However, management information may represent management’s consensus view or be supported by management controls. If these conditions are not in place, the quality of the evidence is degraded.	<ul style="list-style-type: none"> • Helps to identify conditions, criteria, and causes. Internal management criteria are particularly helpful in creating a persuasive finding and conclusion. • May be considered persuasive evidence depending on the risk level of issue that is subject of a finding, and on the fieldwork audit objective. • Reliability of the source should be weighed in assessing evidence.
<i>Written testimonial (internal)</i>	<ul style="list-style-type: none"> • Emails • Written reflections from a single person • Interview notes validated by interviewee • Auditor-generated surveys of staff knowledge of facts 	Weak – Internal evidence. Less easy to retract or contradict, but still may be limited in scope or disconnected from facts. Has value in helping auditors understand culture and informal processes. Helps reduce misunderstandings in comparison to oral testimonial.	<ul style="list-style-type: none"> • Helps to identify conditions and causes. • Individual testimonies must be paired with other evidence to be persuasive. • The individual written testimony of management should be attributed if used in the report. • May need to suffice if no other levels of evidence are available and multiple written or oral testimonies are consistent
<i>Oral testimonial (internal)</i>	<ul style="list-style-type: none"> • Interviews 	Weakest – Internal evidence. Can be easily retracted or contradicted, and may contain incorrect statements. Has value in helping auditors understand culture and informal processes.	<ul style="list-style-type: none"> • Easiest to obtain • Helps to identify conditions and causes • Fraud, waste, or abuse reports often begin with oral testimony • Surveys often have low response rates and responses may be impacted by management intervention • Individual testimonies generally should be paired with other evidence to be persuasive. • The individual oral testimony of management should be attributed if used in the report, and then only if completely necessary. • May need to suffice if no other evidence is available and multiple oral testimonies are consistent



Data Collection Methods

The County Auditor will use various data collection methods in the planning and fieldwork phase to develop sufficient, appropriate evidence needed to arrive at findings and conclusions.

Interviews

Interviews are an integral part of data collection. Information that is collected often cannot be fully understood from written records alone. In some cases, the written record must be clarified or explained, and in others, there is no written record available. In addition, auditors often need to find out how employees spend their time, and cannot rely solely on what written documents state that they do. As much as possible, however, auditors should corroborate information obtained through interviews by collecting supporting documentation.

It is important that auditors develop good interviewing skills. Some key points are:

- Most interviews should be scheduled in advance with the interviewee informed of the purpose and nature of the interview.
- The auditor should set a positive tone by being courteous and tactful, rather than threatening or condescending.
- The auditor should prepare for the interview by reviewing appropriate background materials and making a list of questions to ask.
- During the interview, the auditor should listen carefully, take good notes, and where appropriate, rephrase interviewee responses to confirm what was said.
- The auditor should “write up” the interview as soon as possible following its conclusion.

Analysis

Many types of tests and analyses can be performed. Common analytical techniques include: (1) judgmental and statistical sampling of data; (2) tracing documents, such as contracts or invoices, through the system; (3) comparative and trend analysis (e.g., historical expenditure/staffing levels); (4) advanced statistical analysis such as regression analysis, tests of significance, and factor analysis; and (5) operations research methods such as linear programming.

Observations

Auditors can obtain evidence by observing physical conditions and operating practices. Examples include observation of the taking of physical inventories, sheriff patrol operations, airport parking operations, parks food concessions, and road maintenance crew activities.

Surveys

Surveys and questionnaires are a valuable tool for obtaining comparative information. Other local governments may be contacted to obtain comparative data on management practices, staffing and expenditure levels, and so forth. Surveys can be in writing or conducted over the telephone. Phone surveys should use a carefully prepared list of questions and include a request that some documents/information be mailed to the auditor as appropriate.

Literature Review



The County Auditor identifies and reviews prior audit reports, management studies, industry standards and professional literature on subjects pertinent to the audit. Good sources of information include the Association of Local Government Auditor's (ALGA's) Local Government Auditing Quarterly, ALGA's web site (<http://www.algaonline.org/>), National Association of Counties, and publications of the International City County Management Association and the U.S. Government Accountability Office.

Computer-Processed Data Reliability

In addition to the method synopsis above, the County Auditor will often use computer-processed data to address audit objectives. Due to the centrality in many audits of computer-processed data, and the technical nature of assessing data reliability, some brief notes are in order regarding evaluating data reliability. For additional guidance, see the Government Accountability Office's 2009 guide to assessing data reliability entitled *Assessing the Reliability of Computer-Processed Data* (<http://www.gao.gov/assets/80/77213.pdf>).

Some key questions to ask are:

1. Do the audit objectives necessitate the use of reliable computer-processed data to have sufficient, appropriate evidence?
2. Will computer-processed data affect findings, conclusions, or recommendations, or will they affect background and contextual information?
3. What is the importance of data to the report message?
4. What is the strength of corroborating evidence?
5. Will the data be used in multiple future engagements?

If, based on these questions, the County Auditor determines that a reliability assessment is needed, then *Assessing the Reliability of Computer-Processed Data* will serve as the guidance document for the assessment.

Audit Quality Control and Supervision

Audit quality control is a critical aspect for any audit function. GAGAS is the most important element of audit quality control, and incorporating these audit standards through the County Auditor's processes are intended to allow a reasonable third-party to conclude that the County Auditor's audits contain accurate information, valid analysis, and useful, timely conclusions. The Board charge and this policies and procedures manual operationalize the audit standards in the County Auditor function, and the policies and procedures document should be periodically reviewed for possible revisions.

Within individual audits there are numerous processes and documents that are intended to provide quality control such that audit risk is reduced to an acceptable level.⁷ Some of these key aids to quality controls have been discussed earlier in this chapter and include planning and fieldwork audit programs, workpaper documentation, discussions with management, and finding summary sheets.

⁷ GAGAS (2011 Revision), para. 6.05 defines *audit risk* as "the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete, as a result of factors such as evidence that is not sufficient and/or appropriate, an inadequate audit process, or intentional omissions or misleading information due to misrepresentation or fraud." The goal of quality control is to reduce audit risk. GAGAS does not contemplate that audit risk can be eliminated.



This section discusses additional aids to quality control:

- Cross-referencing the audit report
- Audit quality control checklist
- Audit self-supervision practices for a one-person audit shop
- Annual reviews and peer reviews

Finally, reviewing draft audit reports with management and issuing a public report allows the County Auditor's information to be reviewed critically for accuracy, logical coherence, and persuasiveness. Taken together, the County Auditor believes that adhering to these processes comprise a system of quality control adequate to reduce audit risk to an acceptable level. These parts of the quality control system are discussed in Chapter 7.

Cross-Referencing Report Drafts

Before releasing a draft report for management review, the County Auditor cross-references the report to the workpapers. Cross-referencing helps ensure the City Auditor has sufficient and appropriate evidence in support of the findings and conclusions. While cross-referencing the report, the County Auditor considers the following questions.

- Are the facts correct and adequately documented?
- Do the work papers provide sufficient, competent, and relevant evidence to support the conclusions?

While cross-referencing is an important quality control, it also creates a time drag in the audit process. To create an efficient quality control process, the County Auditor uses two approaches: finding summary documents, and risk-based cross-referencing. Finding summary documents are workpapers that synopsise the elements of each finding, and include relevant cross-references. The report draft will include a cross-reference to these finding summaries. In addition, any portion of the report not covered by the finding summary documents will be cross-referenced in the report using the following risk areas as a guide:

- All dates and other numbers
- Literature review citations
- Any legal conclusions (tied to guidance from the County Attorney)
- Any technical conclusions outside of County Auditor's normal expertise (e.g., engineering conclusions)
- Any attributions to specific individuals (always referred to by job title, not by name)

Low risk areas are reviewed but not normally cross-referenced. Low risk areas include background sections; summary statements; textboxes; and glossaries, except as they relate to the aforementioned higher risk areas.

If the audit touches on legal or compliance issues, or if the County Auditor otherwise believes legal review is called for, then the auditor provides a draft report to the County Attorney for review to identify any legal issues and provide any other feedback. This review may occur either before or concurrent to management's review of the draft report, depending on the nature of the legal issue.



Implementation Note: One special exception to risk-based referencing is the Executive Summary or Highlights page. This piece of the report is not low risk because it may be the only part of the document that is read. However, the Executive Summary or Highlights page is built from the information already contained in the body of the report. Therefore, the Executive Summary or Highlights page is not separately cross-referenced.

Quality Control Checklist

For each audit, the County Auditor completes a checklist to help assure and monitor quality. The checklist is based on the Association of Local Government Auditors engagement checklist. The checklist is located within the *Administrative Forms* file.

Completing the checklist allows the auditor to monitor audit quality, identify any systematic issues related to GAGAS or audit policies and procedures, and document recommendations to correct any problems. The completed checklist and cross-referenced draft document the auditor's overall determination that evidence are sufficient and appropriate to provide a reasonable basis for the findings and conclusions. Based on this conclusion, the County Auditor should add appropriate language to the report noting that conclusion, and should file the checklist with the audit work papers.

Supervision

According to GAGAS 6.54 (2011 Revision): "Audit supervision involves providing sufficient guidance and direction to staff assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training." However, GAGAS allows the form of supervision to vary depending on circumstances, including the size of the audit shop. (GAGAS 6.55)

Because the County Auditor function is staffed by one person, meeting the GAGAS provisions regarding supervision as an element of quality control requires an alternative approach, similar to the risk-based method for cross-referencing audit drafts. The following activities are built into the quality control checklist reference above.

1. Check the workpaper's data entry for dates and other numbers against source documents.
2. Check any legal conclusions with County Attorney.
3. Check information from third parties that are essential to findings and conclusions with those third parties.
4. Re-read all audit workpapers referenced in the finding summary workpapers to check for accuracy and coherence.

Implementation Note: In some cases, the County Auditor may employ specialists or interns to perform audit work. In these circumstances the County Auditor is ultimately responsible for the work product that is produced, and will perform supervision of this work. Supervision includes review of audit evidence and any findings or conclusions. Specialists may be procured by contracting for audit services. In cases where contracted audit support is used, the County Auditor will retain contractual right to review such audit evidence and reporting to independently conclude that audit evidence is sufficient and appropriate to support the findings and conclusions. In some cases, depending on the experience level of the individual auditor, the County Auditor may perform more comprehensive oversight.



Annual Review and Peer Review

The preceding three quality control procedures are done for each audit engagement. However, there are two elements of the quality control process that are performed on an annual or tri-ennial basis, not for each engagement. First is the *annual* review. At the end of each year, the County Auditor reviews individual audit quality control checklists completed during the year to identify issues that need correction. The auditor may make changes to policies and procedures to address issues found during the annual review. The auditor maintains documentation of the annual review.

The second procedure is the peer review. As provided by the Board charge, the County Auditor works with the Audit Committee as soon as is practical, and every three years afterward, to select an objective third-party to conduct a peer review. Until a peer review is conducted, and if subsequent peer reviews are not conducted within the three-year period, then the County Auditor will note the lack of a peer review in the statement of compliance with GAGAS in each report. The County Auditor will provide the County Board and Audit Committee with the peer review report and will post the peer review report on the County Auditor's web page.



Chapter 6: Audit Reporting

Audit reporting comprises both written and oral communication of preliminary audit work, and final findings, conclusions, and recommendations. This chapter discusses both forms of reporting, noting that numerous oral reports may occur in both the planning and fieldwork phases of the audit. Chapter 7 of GAGAS (2011 Revision) covers reporting standards. This chapter serves as a complement to the GAGAS reporting standards.

Written Report Characteristics

At the end of an audit, the County Auditor prepares a written audit report communicating the results of the audit. The County Auditor places great emphasis on the quality of audit reports. The value of the County Auditor's work to the County Board, County Manager, other County management and staff, and members of the Arlington community is judged primarily by the quality of written audit reports. To be effective, audit reports ideally will have the following characteristics.

- *Accurate and Sound*—The County Auditor places great emphasis on the accuracy and soundness of information presented in audit reports. Inaccuracies found in an audit report can cast doubt on the validity of the entire audit and can have a damaging effect on the credibility of the audit function. Management review and response is intended to ensure that reported information is accurate and valid, but if an error is discovered after issuance of a report an appropriate revision will be distributed.
- *Significant and Useful*—Matters included in an audit report should be sufficiently significant and useful to justify reporting them. Factors to consider when determining significance include: 1) the degree of interest by the County Board, County Manager, Audit Committee, department directors, other county managements, county advisory commissions, or the public; 2) the relative size of the program measured in dollars; (3) the frequency of occurrence of the problem, and; 4) the potential for loss. Typically, significance is judged by effect (e.g., dollars or productivity lost, public endangerment). To be useful, reports should be structured to the needs and interests of the intended audience.
- *Timely*—Reports should be issued as promptly as possible to make them available for timely use by interested parties. It is recognized, however, that available audit resources will affect timeliness, and that planned audit work may be disrupted due to unanticipated events that require prompt attention. When an issue arises that should be addressed before a written report can be produced, vetted, and issued, an oral report should be provided to the auditee to ensure that appropriate action is initiated to correct identified problems.
- *Complete and Concise*—The report should contain sufficient information to facilitate the reader's understanding of the audited entity and of the nature and significance of the audit findings. However, the report should also be as concise as possible and avoid excessive detail or repetition, which could confuse the reader.



- *Clear and Simple*—To communicate effectively, reports should be presented as clearly and simply as practical. The writing style should be direct and avoid difficult or unnecessary words. When technical terms or abbreviations are used, they should be defined in the text or in a glossary of terms. To facilitate report readability, abbreviations should be kept to a minimum. Graphs, charts, maps, pictures and other visual aids may be used to the extent they facilitate the reader's interest and understanding of the audit findings.
- *Persuasive*—Reports should be written in a convincing manner, and conclusions and recommendations should follow logically from the facts. Information presented should be sufficient to persuade the reader of the significance of the findings, the reasonableness of the conclusions, and the importance of taking action to correct the identified deficiencies.
- *Objective and Balanced*—Audit reports should be presented in a fair and objective manner. They should contain sufficient information to give the reader a proper perspective. Auditors should avoid exaggerations or overemphasis of deficiencies identified. The tone of the report should be constructive in order to foster a favorable reaction to findings and recommendations. Although criticism of past performance may be necessary to demonstrate the need for management improvement, emphasis should be placed on making improvements in the future. In addition, the audit report should include any significant noteworthy accomplishments of the auditee, which relate to the audit objectives.

Written Report Contents

While each audit develops different information, the method of reporting should be sufficiently similar that the report process can be conducted efficiently and the end product is recognizable as emanating from the County Auditor. To accomplish these purposes, the County Auditor uses a template for audit reports. This section covers the discrete aspects of the audit report with some summary guidance for what should be included in each. The template is located in the **Administrative Forms** folder.

- *Report Cover/Title Page*—The report cover conveys the title of the report and one to three sentence short summary. The County Auditor uses *message titles*, which conveys a brief understanding of the findings of the report rather than only communicating the department or function under audit. The report cover also includes the report number.
- *Table of Contents*—The table of contents lists the major sections and headings in the report, with corresponding page numbers. When appropriate, a list of tables and figures may also be included in the table of contents.
- *Highlights*—A highlights page is prepared for each audit, and functions as a one-page executive summary. The highlights page provides basic information about the objectives, findings, and recommendations contained in the report. The Highlights document includes a section on why, in plain language, the audit was performed.
- *Background*—This section contains basic information about the department, office, or function under audit. The information contained here should be sufficient to facilitate understanding of



the audit findings. However, some information is standard in the background regardless of the findings, such as the purpose, funding, staffing, and the County Auditor’s expression of appreciation to relevant management and staff. The background section may also include significant noteworthy accomplishments, although such accomplishments should be included in the body of the report when appropriate.

- *Findings and Recommendations*—Findings are at the heart of the audit report, and are simply defined as “what we find”. Findings may point out significant deficiencies, areas for further growth, or accomplishments. In the audit report findings are a summary of multiple issues and observations, woven together because in the professional judgment of the County Auditor these issues and observations are sufficiently similar to create a broader understanding of auditee performance. In this way, findings convey the result of audit work in a way that has a message and tells a story. *Message* and *story-telling* are critical to performance audit reporting within the County Auditor function. The approach of communicating findings through story-telling provides room for context and nuance, which recognizes the environment in which the auditee operates. This method of communicating findings is one way the County Auditor implements the values of collaboration and listening.⁸

Findings should include recommendations when applicable. The recommendations should flow from the cause(s), unless the scope and objectives of the audit is limited to establishing only condition and criteria. Recommendations should be address the issue identified, while also being feasible. Ideally recommendations are developed collaboratively with the audited entity. By doing so, the County Auditor helps to increase the likelihood that recommendations will be implemented, thus implementing the value of creating impact.

- The *Objectives, Scope, and Methodology* section is required by GAGAS and contains the initial and fieldwork audit objectives, the scope (breadth) of the audit’s review, and the major steps followed in conducting the audit. The scope should be broad enough to address the audit objectives, and the methodologies should be adequate to development sufficient and appropriate evidence. When appropriate, this section includes a discussion of major scope limitations and any scope impairments.⁹

This section is located behind the findings in the report in acknowledgement of the fact that most report consumers are primarily interested in the findings. The *Highlights* page also contains a truncated version of the scope and objectives.

- The *About Us* section provides the GAGAS compliance statement, tailored to fit the needs of the audit. The GAGAS compliance statement reads as provided in GAGAS 7.30 (2011 Revision) with applicable modifications as needed.¹⁰ Other elements of this section include the authority under

⁸ See a further discussion of findings in Chapter 5: Audit Fieldwork.

⁹ Scope limitations are restrictions in the scope made by the judgment of the County Auditor. Scope impairments describes areas that the County Auditor could not review because of some management action.

¹⁰ See also GAGAS 2.24, and Appendix 2.06 (2011 Revision).



which the audit was performed, an overview of the County Auditor function, a listing of the County Board members, and a listing of the audit staff. The audit staff members are listed with titles and relevant credentials, which underscore the competence of the audit staff.

- Audit reports written in compliance with GAGAS must include pertinent views of the officials of the audited organization concerning the auditors' findings and recommendations, and their planned corrective action. The *Management Response* section is the portion of the report devoted to documenting the auditee's agreement or disagreement with recommendations, identification of responsible parties and timelines for implementation, and other management comments. Written responses are typically received from the department head or applicable program manager. Written responses are attached and published with the audit report. Management is given 15 business days to provide its response. The management response is completed by the auditee using a management response template. The template is located in the **Administrative Forms** folder.¹¹

Except for the recommendation language, the information contained in the management response section is the responsibility of auditee management. The County Auditor does not have a page or word limit for the management response, although the County Auditor would discuss with management any response that appears discursive or irrelevant to the findings and recommendations.

The County Auditor is responsible for the overall content of the audit report, and as such retains the right to respond to elements of the management response that are factually invalid or that mischaracterizes audit information that is relevant to key audit conclusions. If the County Auditor makes a response to the management response, the County Auditor's response will be provided immediately after the relevant management response language. The purpose of the County Auditor response is not to undermine the management's overall response, nor should the County Auditor response be buried after the management response.

- Other report sections may be included as needed, but are not part of the standard audit report format. These sections are to be included in the report draft reviewed by management.
 - An *Other Pertinent Information* (OPI) section contains audit information that the County Auditor expects to be relevant to policymakers, auditee management, and/or the public. This section is reserved for information developed over the course of the audit that may not have the elements of the finding, and do not have associated recommendations, but are too important to be limited to an oral update for auditee management. Examples of such information include major upcoming projects, or issues that require the management response template is flexible to allow for a general management response to the OPI.

¹¹ For more information about the final management response, see Appendix A, *Management Response* section. Management also provides a technical review for the draft audit report, but this review is not included in the final report.



- *Appendices* may include a wide variety of information, such as applicable laws, contract language, related analyses, and a glossary. There is no management response to the appendices.

Written Report Versions

Two written report versions are created and maintained in each audit. To be clear, these are the same report, but have different functions. Both versions of the report are maintained in the electronic workpaper spreadsheet and will be available for peer reviewers to assess upon request.

- *The cross-referenced draft*—The cross-referenced draft is the working report draft that the County Auditor creates and cross-references. The cross-referenced draft may be reviewed, revised, and polished several time before made available to the auditee for the technical review. The general expectation is that the draft provided for technical review is substantially complete and ready for publication.

The cross-referenced draft is provided to the auditee for both the technical review and the final review.¹² The cross-referenced draft will contain a DRAFT watermark. The cross-references are hidden using applicable the MS Word function prior to sending the draft to the auditee for review. The cross-referenced draft may be saved at various iterations to facilitate quality control changes during the drafting process, but only one official version is maintained.

- *The final draft*—The final draft includes the final management response and is provided to the distribution lists and the public with the DRAFT watermark removed. In this draft cross-references should be taken out. To minimize confusion, the cross-references should not be available to anyone outside the County Auditor’s office, although the County Auditor is free to discuss audit evidence as needed.

Written Report Quality Control

In addition to quality control reviews regarding evidence, the reports will undergo a quality control review with respect to grammar, spelling, consistent syntax, readability, and formatting. The County Auditor is responsible for this review. Elements of this review are contained in the overall quality control checklist.¹³

If after the report is issued, substantial errors are found in an issued report, an addendum may be added, correction pages issued or in extreme cases the report may be reissued. Such changes can only be made by the County Auditor.

Report Release

The County Auditor has the final determination regarding when an audit conducted by the County Auditor is complete and is issued. The County Auditor will use the following process to prepare for report issuance.

¹² See the Cross-Referencing Report Drafts section in Chapter 5: Audit Fieldwork.

¹³ *Ibid*, for a discussion of evidentiary quality controls.



1. After the management response is received, the County Auditor will hold meetings with Board members individually or in groups of two to provide a high-level overview of the report findings, recommendations, and response. These meetings should be scheduled during the 15-day final response timeframe. Meetings with Board members are for the purpose of courtesy update and unless Board members catch a factual error, these meetings will not result in any changes to the report.
2. If a press release is to be issued, the County Auditor will work with the Office of Communications and Public Engagement to develop the release language and set its timing.
3. The County Auditor will finalize the report draft, include a final quality control review with respect to grammar, spelling, consistent syntax, readability, and formatting.
4. The County Auditor will assign the report a number. Each audit report is assigned a chronological number based on the fiscal year in which it is issued and the sequence of issuance. Thus the first audit report issued in FY 2018 takes the report number **2018-01**. This report number is not assigned until report issuance, as audits may not be issued in the order they were initiated.
5. The County Auditor will develop a distribution letter announcing the release of the audit report. The letter briefly describes the nature and scope of the audit, explains that the auditee's response is included at the end of the report, thanks the auditee for its cooperation if warranted, and contains other information as appropriate.
 - a. The letter should be addressed to the Honorable members of the County Board, and copied to the County Manager; relevant Deputy County Manager; Department Director; program managers (if applicable); Director of the Department of Management and Finance; citizen Audit Committee members; and County Attorney.
 - b. This distribution group will receive the final audit report, with DRAFT watermark removed, one business day prior to the report's public release.
6. The County Auditor will post the final audit report to the County Auditor webpage on the Arlington County website, constituting the report's public release. The electronic final report is the official report copy. No official printed copy will exist except insofar as interested parties print the final version of the report.
7. If applicable, the Board member(s) press release for the audit report will be issued.

Oral Reporting

While not required to do so by GAGAS, the County Auditor incorporates oral (non-written) reporting as an integral part of the planning, fieldwork, and reporting phases. Oral reporting is a pillar of collaboration and leads to much better outcomes for the auditor and the auditee. Oral reporting is also a key quality control mechanism that helps the County Auditor identify contra-factual understandings as



early as possible. Ideally oral discussion about audit findings and anticipated recommendations improves the recommendation language and needs to better tone and impact of the audit report.

For the County Auditor there are two required oral report meetings during the audit, and encourages more discussion meetings during the audit. Of course, the County Auditor cannot compel the auditee to attend a meeting, so if a required meeting is not held a justification should be documented for the audit files. The required oral report meetings are as follows.

- The entrance conference held at the beginning of the planning phase; and
- The draft exit conference held during the final review in the reporting phase.

In addition, the County Auditor encourages: 1) a fieldwork scope and objectives meeting held at the end of the planning phase; 2) a fieldwork exit meeting at the end of the fieldwork phase; 3) a technical review meeting during the technical review portion of the reporting phase, and; 4) various update meetings throughout the audit process, as is useful to the auditee. Following are brief overviews of each required or optional meeting, in the order they would occur in the audit.

- *Entrance Conference*—As discussed in Chapter 3, the entrance conference marks the beginning of the planning phase of the audit, and allows the County Auditor to provide a general overview of the audit process and the initial scope and objectives.
- *Update Meetings*—Planning phase update meetings may involve early changes to the scope, or may take the form of grounding interviews. Update meetings also allow for identification of necessary materials or meetings, or where audit process may be impeded.
- *Fieldwork Scope and Objectives*—The fieldwork scope and objectives meeting marks the beginning of the fieldwork phase. In this meeting the County Auditor would share the final fieldwork scope and objectives, and discuss specific audit steps and fieldwork methodologies as needed.
- *Update Meetings*—Update meeting in fieldwork focus on the preliminary audit findings and message, and highlight upcoming methodologies and areas where more work is needed. Update meetings also allow for identification of necessary materials or meetings, or where audit process may be impeded.
- *Fieldwork Exit*—The fieldwork exit meeting is intended to convey the findings and recommendations the County Auditor expects to include in the report.
- *Technical Review*—The technical review meeting focuses on areas where the auditee has identified a perceived factual inaccuracy in the report, and allows the auditee to provide documentation to support the contention of an inaccuracy.
- *Draft Exit*—The draft exit meeting allows the County Auditor and the auditee to have a full discussion of the draft audit report. This meeting is ideally focused on report tone,



recommendation feasibility, and implementation timelines, but questions of factual accuracy may also be a part.



Chapter 7: Audit Follow-Up

Audit follow-up is an integral part of any audit. Audit follow-up allows the County Auditor to elicit information regarding the status of implementation of audit recommendations, and to conduct verification testing.

Follow-up Process

The general practice of the County Auditor is to begin the audit follow-up process six months after the public issuance of an audit. In some cases, the County Auditor may determine that audit follow-up should occur more quickly to address risks of very significant importance to the auditee or to Arlington County as a whole. The process of the follow-up review will be similar to that of an audit, and is enumerated below.

1. An audit follow-up letter is issued to the auditee announcing the beginning of audit follow-up activities. The audit follow-up letter template is in the **Administrative Forms** folder.
2. The audit follow-up letter will request a status for each recommendation that the auditee agreed to implement. The three statuses are: *no implementation work performed*, *implementation in process*, or *implementation completed*.
3. Along with the audit follow-up letter, the County Auditor will provide a follow-up status template with the applicable recommendation language already included. The status template is in the **Administrative Forms** folder. The status template will provide an opportunity for narrative comment from auditee management as needed.
4. The County Auditor will ask for an initial response within 10 business days. The County Auditor will be flexible with auditees regarding the response timeframe within reason. The County Auditor will also ask for documentation supporting the implementation statuses of *implementation in process*, or *implementation completed*. If the status is *no implementation work performed*, the County Auditor will request information regarding the cause for no implementation work being performed.
5. The County Auditor will assess the follow-up documentation, and request additional documentation as needed. The County Auditor may need to conduct testing, observations, or other analyses to make a final recommendation status determination. For a follow-up report, evidence needs to meet the same level of appropriateness as is used during the audit. However, in general the level of evidence required for sufficiency is lower in a follow-up review than in an audit.¹⁴
6. Once the follow-up work is complete in each iteration, the County Auditor will communicate with the auditee regarding final determination of the status for the recommendations.

¹⁴ See Chapter 5, *Evidence* section for additional information about sufficiency and appropriateness of evidence.
County Auditor Policies and Procedures
Implementation Date July 1, 2017



7. Follow-up work for an audit will cease after all agreed-upon recommendations are verified to be implemented, after 24 months have passed since the original audit was published (or longer as determined by the County Auditor based on business needs and risk), or if the audit recommendations are re-visited within a new audit.

Follow-up Reports

The County Auditor will develop different follow-up reports.

- The first report is a determination of the recommendation status after each iteration of follow-up. This report goes to management of the auditee and uses the follow-up status template. Because the status template includes narrative from management, no additional response is included in this report.
- The County Auditor will report a final determination of the recommendation status after the conclusion of follow-up activities for an audit. This typically occurs within 24 months of an audit report's original publication. This report will use the follow-up status template, and may also include narrative comments from the County Auditor. Because the status template includes narrative from management, no formal management response is required or included in this report. However, a draft report will be provided to management for feedback prior to publication. The final report goes to management of the auditee, the County Board, the Audit Committee, and is published on the Arlington County public website.
- The County Auditor also will periodically report on the status of implementation for all audit recommendations in an overall follow-up report to the Audit Committee. This report will be provided at least annually to the Audit Committee, and more frequently if requested by committee members. This report will be developed in the future as best fits the needs of the Audit Committee members.



Chapter 8: Other Administrative Guidance

In addition to conducting performance audits, the County Auditor is responsible for all the administrative aspects of maintaining the audit function. Some of the key administrative activities include:

- Developing the strategic vision and direction for the function;
- Developing and maintaining the governance materials;
- Providing non-audit support for Arlington County management and staff
- Monitoring the County Auditor budget;
- Ensuring that County Auditor training needs are met in alignment with the strategic needs of the function;
- Addressing any need for using third-party support in conducting audits;
- Responding to inquiries from members of the media or the general public;
- Tracking time spent on various tasks;
- Providing administrative support for the Audit Committee, such as scheduling and agenda development;
- Providing written and oral reports to the County Board and the Audit Committee;
- Discussing the County Auditor function with County advisory commissions and Arlington civic associations;
- Maintaining and nourishing productive relationships with the County Board, the Audit Committee, the County Manager, and employees and volunteers who work to make Arlington County a leading practice local government; and
- Enhancing County Auditor professional development by participating in professional associations.

This chapter covers the general procedures for some of these activities.

Non-Audit Services

The County Auditor is committed to helping to develop leading practice within Arlington County government. Generally, County Auditor expertise should be directed toward audit work that will result in a public audit report. However, in some cases audit expertise may assist in helping the development of concepts or strategies by presenting to leadership teams or serving on advisory groups. The County Auditor cannot serve in any capacity that involves taking responsibility for management decisions. Consequently, if an opportunity arises to provide a non-audit service, the County Auditor will proceed through the following steps in the order shown below.

1. The County Auditor will gather information and document the full scope of the non-audit support request.
2. The County Auditor will apply the GAGAS conceptual framework for independence (GAGAS 3.07ff and Appendix II of GAGAS 2011). This analysis may involve discussions with other audit colleagues.
3. If the County Auditor is satisfied that the non-audit support request is reasonable, a good use of limited time and resources, and does not create an independence problem, then this analysis



will be discussed with the Audit Committee co-chairs to gather feedback and identify any other potential concerns.

4. A final decision will be made regarding the County Auditor's participation in that non-audit support opportunity.
5. The County Auditor will report on non-audit support activities as part of the regular County Auditor report at the Audit Committee meetings.

Audit Committee Support

The County Auditor is the primary staff liaison to the Audit Committee, and provides staff support functions for the committee. Such support functions include:

- Regularly meeting with Audit Committee chairs to discuss audit status, address issues and concerns, prepare for Audit Committee meetings, and to gather information for audit selection purposes. The County Auditor develops an agenda for these meetings and delivers the agenda and any supporting documents to the co-chairs in advance.
- Setting the schedule and agendas for the Audit Committee. The schedule should be set on a yearly basis, if possible, and the agenda is set in conjunction with the Audit Committee co-chairs.
- Posting the Audit Committee agenda and supporting documents on the Audit Committee webpage. The communications team in the County Manager's Office provides technical assistance in this area.
- Creating minutes for the Audit Committee meetings.
- Presenting a report on County Auditor activities and audit reports at the Audit Committee meetings.
- Inviting other presenters or relevant attendees as needed.
- Addressing questions from Audit Committee members.
- Providing audit reports, and other County Auditor reports (e.g., follow-up reports) to Audit Committee members.

Budget Monitoring

The County Auditor is responsible for monitoring the County Auditor budget when making expenditures for County Auditor purposes. The County Auditor works with the Department of Management and Finance to monitor budget information broadly.

The Deputy Clerk serves as the procurement card manager for the County Auditor, and expenditure documentation is provided to the Deputy Clerk. The Deputy Clerk maintains procurement card documentation on an annual basis and provides this information to the County Auditor at the end of the fiscal year.

The County Auditor is responsible for understanding and following Arlington County fiscal rules, and identifying and discussing potential deviations with the comptroller. Deviations may relate to the fact that the audit function has one person, or to the fact that the County Auditor is a contracted employee reporting directly to the County Board.



Third-Party Support

The County Auditor may periodically use specialists, interns, or contractors to assist in performing an audit. These situations are dependent on the availability of budget, and require preliminary discussion with the Audit Committee co-chairs. If third-party support is used, the following principles will apply.

- Third-party work will be performed under the oversight of the County Auditor, and results of the work will be issued as a County Auditor report. The use of third-party individuals or firms will be noted in the audit report.
- The County Auditor will use existing Arlington County contracts when feasible to procure third-party support. If using these contracts is not feasible, the third-party work may still be done but the County Auditor will have to assess whether the additional time needed in the procurement process is justified by the audit's potential.

Training

The County Auditor is committed to continual professional development. Claiming compliance with GAGAS requires reporting at least 80 hours of continuing professional education (CPE) hours every two years, and at least 24 of these hours should be in the area of government auditing. In addition, the County Auditor is required to hold certifications, which also carry CPE requirements.

The County Auditor adheres to an internal requirement of at least 40 CPE hours each year, with at least 12 of these hours in the area of government auditing. This is sufficient to meet GAGAS CPE requirements and more than is required by bodies requiring certifications relevant to performance auditing. It also removes the need to designate training biennia for the purpose of meeting the GAGAS CPE requirement. Consequently, any two consecutive year period will show at least 80 hours of CPE and at least 24 of these hours should be in the area of government auditing.

To ensure that this training is strategically aligned with the needs of the function, the County Auditor develops a training plan for each calendar year. This plan may be changed as needed through the year. The plan is maintained in the same location where completed CPE certificates are maintained.

In the event that contractors are used to complete portions of the audit work plan, the contractors will not be required to meet this internal requirement, but will be responsible for demonstrating competence and currency to complete audits in accordance with GAGAS.

Time-tracking

The County Auditor recognizes that time-tracking is an important management and accountability tool. Time tracking helps to set budgets and identify areas for improvement. The County Auditors will track time spent for various activities including specific audit engagement, professional development, and non-audit support activities, administrative activities, and leave. This time tracking is separate from the timesheet used by the Arlington County Human Resources department.

Responding to Inquiries

The County Auditor contact information is publically available, and periodically the County Auditor may receive contacts from media members or community members, either through email or phone. The County Auditor maintains a log of these contacts, which should be updated after most inquiries from a



media or community member.¹⁵ This section discusses the process to be followed when receiving a contact from a media or community member.

From Community Members

1. Determine the relevance of the inquiry to the County Auditor function.
 - a. If not relevant, no additional action is needed.
2. Determine if a follow-up is needed directly, or if a County Board member or staff member should receive the inquiry instead.
 - a. If not follow-up is needed from anyone, no additional action is needed.
3. Follow-up directly with the community member, or forward the communication to an appropriate party.
4. Log any direct follow-up in the media and community contacts log.

From Media Members (Email or Voice Mail)

1. Determine the relevance of the inquiry to the County Auditor function.
2. Contact the Office of Communications and Public Engagement to apprise them of the media inquiry.
 - a. If not relevant to County Auditor, no additional action is needed.
3. Determine if a follow-up is needed directly, or if a County Board member or staff member should receive the inquiry instead.
4. If a response from the County Auditor is needed, determine the most appropriate way to respond.
 - a. Consult with the Office of Communications and Public Engagement as needed.
 - b. Contact the Audit Committee co-chairs regarding issues that may be politically sensitive.
5. Respond to the media member with one business day of the inquiry, if possible.
6. Log any direct follow-up in the media and community contacts log.
7. Follow-up as needed with the Office of Communications and Public Engagement, or the Audit Committee co-chairs.

From Media Members (Direct contact)

1. Determine the relevance of the inquiry to the County Auditor function.
 - a. If inquiry is related to a sensitive topic or one for which the County Auditor has limited knowledge of relevant facts, refer the media member to the Office of Communications and Public Engagement.
2. The County Auditor should discuss only items which are publicly available and for which the County Auditor has all available facts. For example, the County Auditor should not discuss preliminary audit findings but may discussed the approved audit work plan and the general audit process.
3. Log any direct contact in the media and community contacts log.
4. Contact the Office of Communications and Public Engagement to apprise them of the media inquiry.

¹⁵ The exception is when the County Auditor is copied on an email to a wide variety of County management, staff, or elected officials. If the County Auditor function is not relevant to the inquiry, such emails do not require a response and may be left off of the contact log.



5. Follow-up as needed with the Audit Committee co-chairs.



Appendix A: County Auditor Board Charge

Authority

The County Auditor is appointed by the County Board under the authority of § 15.2-709.2 of the Code of Virginia, 1950, as amended. The County Auditor reports directly to the County Board.

Powers and Duties

The County Auditor shall have authority to conduct operational, or *performance*, audits of all departments, offices, boards, commissions, activities, and programs of Arlington County that directly or indirectly report, or are accountable, to the County Board in order to independently and objectively assess a wide variety of audit objectives.¹⁶ Performance audit objectives include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses.¹⁷ Examples of performance audit objectives include determining whether:

1. Activities and programs being implemented have been authorized by ordinance or Code, state law or applicable federal law or regulations as determined in consultation with the County Attorney, and are being conducted and funds expended in compliance with the criteria set forth in applicable laws;
2. The department, office, or program is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively and in a manner consistent with the objectives expressed by the authorizing entity or enabling legislation;
3. The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices;
4. The desired result or benefits of the programs are being achieved;
5. In the context of audit objectives related to items 1-4 above:
 - a. Financial and other reports are being provided to management that allow management to meet organizational performance objectives;
 - b. Management has established adequate operating and administrative procedures and practices; and

¹⁶ According to the Government Accountability Office's Government Auditing Standards, "[p]erformance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. See GAO-12-331G *Government Auditing Standards*, December 2011 17. (<http://www.gao.gov/assets/590/587281.pdf>)

¹⁷ *Ibid*, 18.



- c. Management has implemented key internal system controls, such as for financial or information systems, and other relevant management controls.

Independence

The County Auditor shall be fully independent to develop the scope, objectives, methodology, analysis and findings, and conclusions for audits on the approved annual audit work plan. The County Auditor shall have the final determination regarding when an audit conducted by the County Auditor is complete and is issued.

Internal Audit Function in the County

The County Auditor function exists in parallel fashion alongside the Internal Audit function within the Department of Management and Finance (DMF), in a dual office approach that reflects complementary functions. The Internal Audit function within DMF focuses on systematic core financial and compliance audits and internal controls reviews. The Internal Audit function will continue to work proactively with departments to improve business processes and minimize risk and fraud. DMF also performs the review of financial fraud, waste, and abuse referrals from the County hotline. The County Board intends that the County Auditor and the Internal Audit function will collaborate and cooperate in furthering their respective missions, including meeting and exchanging information and materials as appropriate.

Nonpartisanship

The position of the County Auditor shall be nonpartisan.

Accountability

The County Auditor is accountable to the County Board for the independent execution of the approved annual audit work plan. The County Board has final approval authority over the annual audit work plan. Annual performance reviews of the County Auditor will be conducted by the County Board, with optional written input from members of the Audit Committee as requested by the County Board (see *Audit Committee* section, p.6).

Standards

Audits shall be conducted in accordance with Government Accountability Office's Government Auditing Standards, also known as *Yellow Book* standards. The value of other leading practice standards is recognized, and portions of these standards may be adopted where appropriate in internal County Auditor processes.

Peer Reviews

The audit activities of the County Auditor's office shall be subject to a peer review every three years in accordance with applicable government auditing standards by a professional, nonpartisan objective group jointly determined by the County Auditor and the Audit Committee. A copy of the written report of this independent review shall be furnished to each member of the Audit Committee and the County Board, and shall be made available to the public (see *Audit Committee* section, p.6).



Qualifications

The County Auditor and any County Auditor staff shall possess adequate professional proficiency to complete the annual audit work plan in compliance with Yellow Book standards. Proficiency may be demonstrated by relevant certifications such as CIA (Certified Internal Auditor), CGAP (Certified Governmental Auditing Professional), CGFM (Certified Government Financial Manager), CISA (Certified Information Systems Auditor), or CFE (Certified Fraud Examiner).

Funding

Sufficient funds shall be proposed by the County Manager, after consultation with the Audit Committee, for consideration by the County Board to carry out the County Auditor's annual audit work plan (See *Work Plan*, p.4). The County Auditor's budget shall reside within the budget of the County Board office.

Professional Development

Sufficient resources shall be made available to the County Auditor and any County Auditor staff to ensure appropriate professional development. Specifically, County Auditor and any staff reporting to the County Auditor will have sufficient resources to comply with professional development requirements within the government auditing standards and to comply with applicable certification requirements.

Access to Information and Confidentiality

Subject to state and federal confidentiality laws and regulations, the County Auditor shall have full, free, and unrestricted access to employees, information, property, facilities, and records (including electronic/computerized data) of Arlington County to conduct an audit or audit activities approved in the annual audit work plan by the County Board. The County Auditor and any audit assistants, employees, consultants, or other personnel shall maintain confidentiality in accordance with the Code of Virginia and professional ethical requirements. Audit access to the records of contractors is governed by applicable contract language, and "right-to-audit" clauses are strongly encouraged for each Arlington County contract.

Work Plan

Prior to the beginning of each fiscal year, the Auditor shall submit an audit work plan that includes a one-to-three year audit schedule to the County Board for approval. In addition to the audit schedule, the work plan will also include other activities such as the annual risk assessment, audit follow-up work, and professional development. This work plan should reflect work that is reasonably concluded in a fiscal year.

Prior to submitting the work plan to the County Board, the audit schedule shall be submitted to the Audit Committee for review and comment (see *Audit Committee* section, p.6). The audit schedule shall include the proposed plan for auditing departments, offices, boards, commissions, activities, and programs of Arlington County that directly or indirectly report, or are accountable to the County Board.

Audit Reports

Each audit shall result in a written report, conforming with government auditing standards. For example, the report shall contain relevant background information; objective(s), scope, and methodologies; and



findings and recommendations, and shall communicate audit results to the management of the audited area, Audit Committee, County Manager, County Board, and the public (see *Audit Committee* section, p.6).

Audit Processes

The County Auditor is responsible for drafting, implementing, and adhering to administrative processes regarding audit work and audit follow-up work. The key purposes for the administrative processes are to: help ensure compliance with Yellow Book standards; to provide clarity to auditors; and to establish communication and collaboration with management and staff regarding topics such as the audit scope, audit findings, potential audit impediments, and significant emerging issues.

Management Response

After oral communication of findings, conclusions, and potential recommendations is made to management of an audited area, an initial draft of the audit report will be forwarded to auditee management and the County Manager for *technical review*. The technical review allows auditee management to assess the factual content of the draft report, discuss the draft report with the auditor, and to provide the County Auditor additional documentation to support any proposed factual changes. The target timeframe to complete the technical review will be ten (10) business days.

Once the technical review is complete and the report draft is revised as applicable, the draft of the audit report will be forwarded to auditee management and the County Manager for a *final review* and *final response*. The final review is not limited to the factual content of the report, and allows auditee management to have further discussion of the draft report with the auditor. In the final response, auditee management must specify:

1. Agreement with audit recommendations or reasons for disagreement with recommendations;
2. Action plans for implementing recommendations;
3. A timetable to complete the action plans.

Auditee management shall provide a final response to the County Auditor within fifteen (15) business days of first receiving a draft report for *final review*. The County Auditor will review information included in the agency's response, and add the response to the audit report prior to issuing the final report. The County Auditor may respond to factual inaccuracies in the management response, and is expected to address these with applicable County management prior to the issuance of the final report.

If the County Auditor finds County staff or management to be unresponsive, the County Manager will be promptly notified and asked to intervene. If no final response is received in the 15 business day timeframe for the final review, and efforts to resolve this through the County Manager have been unproductive, the County Auditor may note the lack of a response in the audit report and issue the final report.

Report of Irregularities

If, during an audit, the County Auditor becomes aware of potential fraud, abuse, or illegal acts or indications of such acts that could affect the County, the County Auditor will follow up as appropriate



under government auditing standards. If the potential irregularities are likely to have occurred, the County Auditor shall report the irregularities to the County Manager, the County Attorney, and Director of the Department of Management and Finance except that notification will not be given to individuals who are believed to be involved in these irregularities. If the irregularities involve individuals reporting to the County Board, then the County Board would also be notified. If it appears that the irregularity is criminal in nature, the Auditor shall notify the chief of police in addition to those officials previously cited.

Audit Follow-up

The County Auditor shall follow up on audit recommendations annually and follow up activities will be included as an integral part of the annual audit work plan. The purpose of follow up activities is to determine if agreed upon corrective action has been taken by entities or individuals responsible for implementing recommended actions.

Annual Report

The County Auditor shall submit an annual report to the Audit Committee and County Board indicating audits completed, major findings, corrective actions taken by administrative managers, and other information deemed useful and necessary by the County Auditor or the County Board.

Audit Committee

An Audit Committee has been established by the County Board to provide advice to the Board regarding the exposure of Arlington County government and its component units to risk, such as financial, operational, and reputational risks. The Audit Committee consists of: two (2) County Board members, who serve as co-chairs, three (3) citizen members, the County Manager, and the Director of the Department of Management and Finance. The County Board shall appoint the citizen members to staggered terms, to take effect upon the completion of the terms ending January 31, 2018. Upon completion of the initial staggered term, appointments will be for a two-year term. Except in rare circumstances, citizen members are limited to six years on the Audit Committee. Citizen members shall have appropriate experience, including performance auditing, risk advisory services, enterprise risk management, government management, or financial management. One citizen member shall be selected from the Fiscal Affairs Advisory Commission.

The Audit Committee shall meet as needed to perform its duties but shall not meet less than once quarterly and shall be responsible for:

1. Reviewing the County Auditor's draft annual audit schedule, and providing suggestions and comments to the County Auditor for consideration to be included in the audit work plan submitted to the County Board for approval;
2. Receiving final audit reports from the County Auditor and reviewing the results with the County Auditor;
3. Reviewing the County Auditor's draft annual audit plan, and providing suggestions and comments to the County Auditor for consideration to be included in the audit plan submitted to the County Board for approval;



4. Receiving and reviewing the County Auditor's periodic reports on follow-up regarding audit recommendations and corrective action taken by management;
5. Receiving an annual report from the County Auditor summarizing information such as audits completed, major findings, and corrective actions taken;
6. Reporting to the County Board or Board members on problems or problem areas at such times as deemed appropriate;
7. Consulting with County Manager on funds proposed for consideration by the County Board to carry out the County Auditor's annual audit work plan;
8. Upholding the independence of the County Auditor;
9. Determining, jointly with the County Auditor, the nonpartisan objective group to provide peer review of the County Auditor and staff;
10. Evaluating the findings and recommendations of the County Auditor's peer review as required by recognized government auditing standards;
11. Receiving an annual report from the external auditor on the results of the external audit;
12. Receiving an annual update regarding the results of the County's internal audit work;
13. Providing written performance assessment of the County Auditor as requested by the County Board, for the purpose of completing the Board's annual performance review of the County Auditor;
14. Maintaining confidentiality as required by issues that come before it.

Audit Committee meetings will be open to the public and conducted in accordance with the public meeting requirements of the Freedom of Information Act, §§2.2-3700 et seq. of the Code of Virginia, 1950, as amended.

The creation of the Audit Committee is not intended to materially alter the responsibility and authority of either the County Board or the County Manager.



Appendix B: Authority to Appoint a County Auditor

The Virginia General Assembly in 2015 gave Board for counties operating under the County Manager Plan of government the authority to hire a County Auditor by adding § 15.2-709.2. Arlington County operates under the County Manager Plan of government.

Below is the final approved language for § 15.2-709.2.

VIRGINIA ACTS OF ASSEMBLY -- 2015 SESSION

CHAPTER 282

An Act to amend the Code of Virginia by adding a section numbered 15.2-709.2, relating to county manager plan of government; county auditor.

[H 2308]

Approved March 17, 2015

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 15.2-709.2 as follows:

§ 15.2-709.2. County auditor.

The board may appoint a county auditor for the audit and review of county agencies and county-funded functions. The county auditor shall have the power to make performance reviews of operations of county agencies or county-funded programs to ascertain that sums appropriated are expended for the purposes for which such appropriations were made and to evaluate the effectiveness of those agencies and programs. The county auditor shall make such special studies and reports as the board directs.

The board may provide staff assistance to the county auditor that may be independent of the administrative staff of the county. The county auditor and any such staff shall be hired on the basis of merit and shall be paid in conformity with existing pay scales. The county auditor shall serve at the pleasure of the board, and if removed, such removal shall not be subject to review by any other employee, agency, board, or commission of the county or under the grievance procedure adopted pursuant to § 15.2-1506.