

## COUNTY BOARD CHARGE: INDEPENDENT COUNTY AUDITOR

Adopted: July 21, 2015

Revised: X X, 2017

### Authority

The County Auditor is appointed by the County Board under the authority of Code of Virginia § 15.2-709.2 and the *County Board Charge: Independent County Auditor*, as adopted by the County Board on July 21, 2015. Under Code of Virginia § 15.2-709.2 the County Auditor reports directly to the County Board and serves at the pleasure of the County Board.

### Powers and Duties

The County Auditor shall have authority to conduct operational and performance audits of all programs of departments, offices, boards, commissions, activities, agencies, and programs of Arlington County in order to independently and objectively determine whether:

1. Activities and programs being implemented have been authorized by ordinance or Code, state law or applicable federal law or regulations, and are being conducted and funds expended in compliance with applicable laws;
2. The program of the department, office, or agency 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 intended 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 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;~~
  - c. ~~Management has implemented key internal system controls, such as for financial or information systems, and other relevant management controls; and~~
6. ~~Indications of fraud, abuse or illegal acts appear valid and need further investigation.~~

The foregoing list is intended to identify areas of potential activity for performance audits, without obviating the need or utility of other audits that may be conducted within the Department of Management and Finance (See *Other Audit Functions in the County* section, p. X2).

### Term

The County Auditor is appointed by the County Board and works at the pleasure of the Board for a non-specified term. The County Board may consult the Audit Committee on the appointment or dismissal of the County Auditor but is not obligated to do so (see *Audit Committee* section, p. 5X).

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### ~~Other~~ Audit Functions in the County

Financial audit, internal controls, fraud, waste and abuse investigations and external risk reviews are the responsibility of the Department of Management and Finance as the County entity that manages the external financial audit, the review of internal controls as a component of the financial audit, the remit for internal audits, the review of financial fraud, waste and abuse referrals from the County hotline and others and external reviews of risk, particularly in the area of the County's financial management.

~~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 in both core financial audits and performance audits. The Internal Audit function within DMF will focus on systematic core financial and compliance audits and internal controls reviews. Internal Audit staff plus consulting support will continue to work proactively with departments to improve business processes and minimize risk and fraud.~~

The County Board intends that the County Auditor and the Internal Audit group 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.

### 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 Work Plan](#). The County Auditor shall have the final determination regarding when an audit conducted by the County Auditor is complete and is issued.

### Accountability

The County Auditor is accountable to the County Board for the independent execution of the approved audit plan. The County Board has final approval authority over the audit plan.

The County Auditor shall participate in a peer review program sufficient to demonstrate that the County Auditor complies with professional audit standards.

[Annual performance reviews of the County Auditor will be conducted by the full County Board, with optional input from members of the Audit Committee as requested by the County Board \(see \*Audit Committee\* section, p.X\).](#)

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The County Auditor's salary is set by the County Board and reviewed annually in association with the County Auditor's performance [evaluation review](#). Experience, performance, certifications, and advanced degrees may be taken into account in determining compensation.

~~Annual performance reviews of the County Auditor will be conducted by the full County Board, with optional written input from members of the Audit Committee as requested by the County Board (see Audit Committee section, p.5).~~

### Standards

Audits shall be conducted in accordance with generally accepted 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 in accordance with applicable government auditing standards by a professional, nonpartisan objective group [determined by 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. [X5](#)).

### Qualifications

The County Auditor and [any County Auditor](#) staff shall possess adequate professional proficiency ~~for the job~~ to complete the 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), CPA (Certified Public Accountant), [CGFM \(Certified Government Financial Manager\)](#), CISA (Certified Information Systems Auditor), or CFE (Certified Fraud Examiner).

### Funding

Sufficient funds shall be proposed and ~~approved~~ [considered by the Audit Committee and County Board](#) to [\(or The County Auditor shall have adequate funding to\)](#) carry out the County Auditor's work plan (See *Work Plan*, p. [X4](#)). The County Auditor's budget shall reside within the budget of the County Board office.

### Appointment of Employees

The County Auditor shall have the power, contingent on the availability of approved funding, to appoint, employ, and remove such assistants, employees, consultants, or other personnel as deemed necessary for the

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efficient and effective administration of the affairs of the office and to prescribe their duties, scope of authority, and qualifications consistent with the role of the office as an auditing entity.

### 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 generally accepted 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 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 a work plan that includes a one-to-three year audit schedule to the County Board for approval. The work plan will also include other activities such as follow-up work and professional development. Said work plan should reflect work that is reasonably concluded in a fiscal year. Funds required by the County Auditor shall be governed by existing budget and finance policies of the County.

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.5X). The audit schedule shall include the proposed plan for auditing programs of departments, offices, boards, commissions, activities, agencies, and programs of Arlington County for the period.

### Audit Reports

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Each audit shall result in a written report. The report shall contain relevant background information and findings and recommendations, and shall communicate results to the management of the audit area, Audit Committee, County Manager, County Board, and the public (see *Audit Committee* section, p.5X).

### 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, significant emerging issues. This includes the preparation of a written audit plan after for each audit engagement which, will be provided to the proposed auditee and County Manager in tandem with opening engagement letter and entrance conference.

### Management Agency Response

After oral communication of findings, conclusions, and potential recommendations is made to staff and 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 twenty (20) en (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.

Management has a minimum of 25 business days to provide a written response; dependent upon the scope, number and complexity of the findings in the Final Draft. The number of days for a responsible will be extended by mutual agreement of Management and the County Auditor.

~~Auditee management must provide a final response to the County Auditor within fifteen (15) business days of first receiving a draft report for final response.~~

The County Auditor will review information included in the agency's response, and add the response to the audit report prior to making the report public. The County Auditor may respond to factual inaccuracies in the management response, and is encouraged to address these with applicable County management prior to the issuance of the final report. ~~The County Auditor has sole authority to extend the 15 business day final response timeframe for valid business reasons, but may not unilaterally restrict the response timeframe to fewer than 15~~

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~~business days. To help ensure that reports are issued timely, if no final response is received in the 15 business day timeframe, the County Auditor will note that fact in the audit report and make public 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. Once the audit is finalized, the report will be made public.~~

### Report of Irregularities

If, during an audit, the County Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the governmental entity, the County Auditor shall report the irregularities to the County Manager ~~and Director of the Department of Management and Finance, as well as to the County Attorney, Audit Committee, or County Board, as applicable.~~ The exception to this requirement is if the irregularities ~~may~~ involve the County Manager, then the County Board would also be notified. If it appears that the irregularity is criminal in nature, the Auditor shall notify the chief prosecuting authority in addition to those officials previously cited (see *Audit Committee* section, p.5X).

### Fraud Investigations

~~The County Auditor is not responsible for conducting fraud investigations. The Department of Management and Finance (DMF), operating under the direction of the County Manager's Office (CMO), continues to maintain responsibility for managing the County's Employee Financial Fraud, Waste and Abuse Hotline (Hotline) and for conducting any investigations that may result from tips received from the Hotline. If the County Auditor receives a credible allegation, the allegation will be referred to the CMO for investigation.~~

### Audit Follow-up

The County Auditor shall follow up on audit recommendations annually as practical and include as an integral part of the annual work plan to determine if agreed upon corrective action has been taken by entities or individuals responsible for implementing recommended actions. ~~As part of the follow-up work, the County Auditor will request periodic status reports from responsible parties to validate actions taken to address reported deficiencies and audit recommendations.~~ The County Auditor and Management will agree to an audit closeout process to ensure corrective action plans have been implemented and are documents. Management reserves the right to exercise management discretion in its adoption of corrective action plans.

### Annual Report

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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 risks environment of Arlington County government and its component units, 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 ~~Chief Financial Officer~~ 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, financial management, or membership on the Fiscal Affairs Advisory Committee

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 plan submitted to the County Board for approval;
- 4-2. \_\_\_\_\_ Receiving final audit reports from the County Auditor and reviewing the results with the County Auditor;
2. ~~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;~~
3. Receiving and reviewing the County Auditor's periodic reports on follow-up regarding audit recommendations and corrective action taken by management; Monitoring follow-up on reported findings and corrective action taken by management;
4. Reporting to the County Board or Board members on problems or problem areas at such times as deemed appropriate;
5. Promoting the independence of the County Auditor;
- 5-6. Determining the nonpartisan objective group to provide peer review of the County Auditor and staff.
- 6-7. \_\_\_\_\_ Evaluating the findings and recommendations of the County Auditor's peer review as required by recognized government auditing standards;
- 7-8. \_\_\_\_\_ ~~and Working to assure maximum coordination between work of the County Auditor's Office and contracted audit efforts and other consulting engagements;~~

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- ~~8. Receiving an annual report from the external auditor on the results of the external audit, and providing feedback as needed to the County Board regarding the issues raised in the external audit;~~
- ~~9. Receiving an annual updates regarding the results of the County's internal audit work;~~
- ~~10.~~ 9. 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;
10. Maintaining confidentiality as required by issues that come before it.
- ~~11.~~

Audit Committee meetings will be open to the public and conducted in accordance with all county, state and federal statutes and regulations.

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.