

COUNTY BOARD CHARGE: INDEPENDENT COUNTY AUDITOR

Adopted: July 21, 2015

Adopted Amended:

June 20, 2017, April 20, 2021

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.¹ Performance audit objectives include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses.² 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
 - c. Management has implemented key internal system controls, such as for financial or information systems, and other relevant management controls.

¹ 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>)

² *Ibid*, 18.

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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.

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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

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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

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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

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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) resident members, the County Manager, and the Director of the Department of Management and Finance. Resident member appointments will be for a two-year term and are to be staggered so that no more than two terms expire in a single year. Except in rare circumstances, resident members are limited to six years on the Audit Committee. Resident members shall have appropriate experience, including performance auditing, risk advisory services, enterprise risk management, government management, or financial management. In addition to the three resident members, the Board will appoint a member to the Audit Committee from the Fiscal Affairs Advisory Commission, who will serve in an *ex officio* role.

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;

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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.