

# CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

## Policy Session Worksheet

**Presentation Date:** April 7, 2015    **Approx Start Time:** <sup>2:00 pm</sup> 3:00 PM    **Approx Length:** <sup>30</sup> 60 min

**Presentation Title:** Independent Internal Auditor Charter and class specifications

**Department:** County Treasurer and County Administration

**Presenters:** Shari Anderson, Treasurer and Laurel Butman, Deputy County Administrator

**Other Invitees:** N/A

### WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

We are seeking a recommendation for approval from the Board regarding the adoption of the proposed Clackamas County Internal Audit Charter (appendix A) and the Internal Auditor job specifications (appendix B).

### EXECUTIVE SUMMARY:

#### ***Background***

Clackamas County's Audit Committee, with the support of Commissioners Bernard and Savas, called for the addition of a Certified Internal Auditor in an informal March 4, 2014 memo entitled *Recommendations from 2/26/14 Audit Committee Meeting*. Specifically, the recommendation was to:

*Add one internal CIA that reports directly to the Audit Committee/Board. The Committee, as part of its review process, can task this CIA with review of high-problem areas or topics of special concern in the financial review and reporting process, and have that person report directly to the Committee and thus directly to the Board on their findings.*

After release of the memo, both the Board of County Commissioners and the County Budget Committee discussed this topic further. The interest generated eventually led to a Policy Level Proposal to add an Independent Internal Auditor during the budget process. The Budget Committee and Board, instead of funding a new position through the FY 2014-15 Budget, directed staff to return with recommendations and a plan for allocating funds for this purpose around mid-fiscal year.

At the December 2, 2014 policy session the Board of County Commissioners recommended to implement an internal audit function as a two year pilot program under the direction of the County Treasurer.

The Internal Auditor position has been established and approved of by Don Krupp, County Administrator.

### FINANCIAL IMPLICATIONS (current year and ongoing):

Personnel cost estimates from Employee Services range as follows:

Annual Salary:            \$69,000 – \$94,000  
Total Compensation \$116,000 – \$150,000

Additional costs include space, equipment, technology, and ongoing training to maintain certification and add skills. There has been an adjustment to the Treasurer's FY 2014-15 budget to allow the position to be filled during this fiscal year. The position has been budgeted as a maintenance level expenditure in the Treasurer's FY 2015-16 budget.

**LEGAL/POLICY REQUIREMENTS:**

The proposed Charter requires adoption by the Board of County Commissioners.

**PUBLIC/GOVERNMENTAL PARTICIPATION:**

In preparation for this policy session, the planning process included:

- Interviews conducted with key County stakeholders: Administrator, Audit Manager, Finance Manager and County Counsel;
- Discussions with Audit Committee members and Budget Committee members;
- Research to compare internal audit functions across Clackamas, Multnomah and Washington counties;
- Research of charter recommendations and formats from the Institute of Internal Auditors; and
- Development and approval of classification specifications and compensation ranges.

**OPTIONS:**

1. Approve placement of the proposed Clackamas County Internal Audit Charter on an upcoming Board Business meeting for adoption as written.
2. Provide amendments and approve placement of the proposed Clackamas County Internal Audit Charter on an upcoming Board Business meeting for adoption as amended.
3. Deny approval for placement of the proposed Clackamas County Internal Audit Charter on an upcoming Board Business meeting for adoption.

**RECOMMENDATIONS:**

**Purpose/Definition of the Position**

Staff recommends that the Board of County Commissioner's approve of the Clackamas County Internal Audit Charter as written.

**ATTACHMENTS:**

1. Appendix A: Proposed Clackamas County Internal Audit Charter
2. Appendix B: Position Classification

**SUBMITTED BY:**

Division Director/Head Approval \_\_\_\_\_ n/a  
Department Director/Head Approval \_\_\_\_\_ SA *Shaw*  
County Administrator Approval \_\_\_\_\_ DK

For information on this issue or copies of attachments, please contact Shari Anderson @ 503-742-5995.

# Appendix A: Proposed Clackamas County Internal Audit Charter

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## I. PURPOSE

It is the policy of Clackamas County to maintain an internal audit department as a means of providing the Board of County Commissioners, the County Administrator and all levels of management with information to assist in the control of operations and in evaluating the overall control over assets and the effectiveness of the system of internal control in achieving its broad objectives.

This charter establishes the general authority and responsibility of the Internal Audit Department and supersedes any other Internal Audit Charter Policy.

## II. AUTHORITY AND SCOPE OF INTERNAL AUDIT ACTIVITIES

### Authority

The internal audit function shall have the authority to conduct financial, compliance, operational, performance, and information systems audits for all departments, offices, activities, and programs under the control of the County. Additionally, the internal audit function shall have the authority to perform special reviews and investigate allegations of misuse of County assets and resources.

To properly carry out their responsibilities, internal audit personnel are authorized to have:

Full, free, and unrestricted access to County functions, activities, operations, records, data files, computer programs, property and personnel. In addition, authority is granted to Internal Audit staff to request reasonable assistance from appropriate County personnel in acquiring requested records, documents and files, as well as inspection and entry privileges to all assets owned, leased, or borrowed by the County. It is expected that the Internal Audit staff will exercise discretion in the review of records to ensure the confidentiality of all matters that come to their attention.

### Scope of Internal Audit Activities

Internal Audit coverage will encompass, as deemed appropriate by the Internal Audit Director, independent reviews and evaluations of any and all management operations and activities to appraise:

- Measures taken to safeguard assets, including tests of existence and ownership as appropriate.
- The reliability, consistency, and integrity of financial and operating information.
- Compliance with policies, plans, standards, laws, and regulations that could have significant impact on operations.
- Economy and efficiency in the use of resources.
- Effectiveness in the accomplishment of the mission, objectives, and goals established for the County's operations and projects.

## Limitation of Authority and Responsibility

In performing their functions, the Internal Audit Director and Internal Audit Department staff have neither direct authority over, nor responsibility for, any of the activities reviewed. The Internal Audit Department will not develop and install procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. However, in connection with the complementary objectives of this audit function, the Internal Audit Department will recommend policies and procedures for approval and implementation by appropriate management. Internal audit review and appraisal do not in any way substitute for other activities or relieve other persons in the County of the responsibilities assigned to them.

### III. REPORTING STRUCTURE

The Internal Audit Director is appointed by the County Administrator and is granted powers by the Board of County Commissioners. If the Internal Audit Director is not an elected official, they will report to and be accountable to the County Administrator for day to day operations. The Internal Audit Director will also be accountable to the Internal Audit Oversight Committee (IAOC). The IAOC will be comprised of the County Administrator, County Treasurer, County Counsel and a Board of County Commissioner member of the Clackamas County Audit Committee.

### IV. RESPONSIBILITIES

The Internal Audit Director is responsible for properly managing the department so that (1) internal audit work fulfills the purposes and responsibilities established herein; (2) resources are efficiently and effectively employed; and (3) internal audit work conforms with all applicable standards.

The Internal Audit Director will report in writing on all internal audits and reviews conducted and will attend the IAOC meetings on a regular basis to report on significant recommendations and the operations of the audit services function.

Generally, the Internal Audit Director will notify the department director or manager ("auditee") that a review is scheduled. This written notification should inform the auditee of when the audit is scheduled, who will be performing the internal audit, and why the internal audit has been planned (regularly scheduled, management or external auditor request, etc.). The notification should also include the objectives and scope of the audit; the expected start date and planned duration of the internal audit; and advance preparation needs.

The director or manager of the department under audit is responsible for:

- Ensuring that a spirit of cooperation prevails throughout the course of the examination.
- Ensuring corrective action is taken if inadequacies are identified in the written internal audit reports.

- Informing the Internal Audit Director of any actual or suspected fraud or illegal acts for independent review.

The IAOC has oversight responsibilities of the internal audit function and activities, including review and approval of the annual internal audit plan and any revisions thereto. The IAOC shall work to ensure maximum coordination between the work of the Internal Audit Director and the needs of the County Administrator and the County Commissioners.

## V. REPORTS AND PROCEDURES

### Annual Internal Audit Plan

The Internal Audit Director is required to publish an annual internal audit plan to the IAOC for approval, and perform the systems audits contained within the plan. Unforeseen audit requirements and management requests for investigations into matters of fraud and compliance may create the need for changes in both internal audit programs and the overall plans; therefore, appropriate flexibility should be incorporated into the annual plan. The IAOC must approve significant deviations from the objectives contained within the annual internal audit plan.

### Communication of Findings

Upon the completion of audit fieldwork, the Internal Audit Director should discuss the proposed audit findings and recommendations with the auditee at a closing conference. Internal Audit will prepare a report draft with their proposed findings and recommendations along with a space for management's responses. The draft is then forwarded to the appropriate manager to respond and outline corrective actions to be taken. The responses are generally due two (2) weeks after the receipt of the draft report. The auditee's response will include comments, action items, and target dates and will be incorporated in the final report. If a timely response is not received, the County Administrator will be contacted for assistance in resolving the matter.

The final internal audit report will be submitted by the Internal Audit Director to the IAOC for review. Once reviewed the final report will be submitted to the appropriate levels of County management and made available for public review. Any changes requested by the IAOC will be noted and made part of the public record. If relevant, audit findings will also be summarized and reported to the Clackamas County Audit Committee and the Audit Manager.

Subsequent to the issuance of the final report, the Internal Audit Department will schedule a follow up review to ensure that needed actions based on the audit were actually taken. The director or manager of the department is responsible for seeing that corrective action on recommendations are made or deficient conditions reported by Internal Audit are planned and taken. If the proper corrective action is not taken, the Internal Audit Director is responsible for presenting this information to the IAOC.

## VI. INDEPENDENCE AND CODE OF ETHICS

Independence is essential for effective operation of the internal audit function. It is the policy of the County, therefore, that all internal audit activities shall remain free of influence by any organizational elements. This shall include such matters as scope of audit programs, the frequency and timing of audits, and the content of audit reports. Furthermore, the Internal Audit staff has a responsibility to conduct themselves so that their good faith and integrity are not open to question. Standards of professional behavior are based upon the Code of Ethics issued by the Institute of Internal Auditors.

## VII. FUNDING AND FEES

In general the cost of the internal audit function will be born by the County as a whole. If a department requests a specific engagement, a negotiated fee for the service may be assessed. This funding structure will be evaluated by the IAOC and Board of County Commissioners on a regular basis and is subject to change.

## VII. QUALITY ASSURANCE

The Internal Audit Director is responsible for developing and maintaining a quality assurance and improvement program. The program should comply with the IIA's International Standards for the Professional Practice of Internal Auditing.

This program should include internal and external reviews which will assess internal audit operations and share an objective perspective of the Internal Audit Department's compliance with professional standards and a comparison to "best practices" of other similar audit organizations. An external assessment should be performed at least every five years in order to maintain conformity with the IIA Standards. The cost of the quality assurance and improvement program shall be a part of the Internal Audit Department's budget.

In an effort to continually improve the internal audit function, Internal Audit staff shall be encouraged to attend continuing education courses and maintain membership in and attend meetings of local, state, and national organizations that serve to promote the modern practice of internal auditing.

## VIII. CHARTER AMENDMENTS

Amendments of this charter are subject to the approval of the Internal Audit Oversight Committee, with recommendation to and approval by the Board of County Commissioners.

## **Appendix B: Position Classification**

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CLACKAMAS COUNTY

CLASSIFICATION NO. 078

Established: 2/15

FLSA: Exempt

EEO: 2

### **INTERNAL AUDITOR**

#### **CLASS CHARACTERISTICS**

Under general direction, plans, organizes, and manages comprehensive, complex, and sensitive performance, management and specialized audits to achieve identified audit objectives; develops audit objectives, performs analyses, and authors and presents comprehensive reports of findings and recommendations; and performs other work as required.

#### **DISTINGUISHING CHARACTERISTICS**

The Internal Auditor works independently on broad, complex audit projects on a wide range of management, administrative, and other operational issues while exercising expert professional judgment with broadly defined practices and policies.

The Internal Auditor classification is a single-incumbent, advanced journey-level classification. The incumbent operates with a reasonable degree of independence and applies judgment and decision making skills to plan and implement assigned work and activities.

#### **TYPICAL TASKS**

Duties may include but are not limited to the following:

1. Plans and conducts detailed performance, and compliance audits of various County functions; outlines the analyses, methodology, and sampling techniques required to achieve audit objectives; conducts complex data collection and analysis; reviews audit materials for quality assurance and compliance with Government Auditing Standards.
2. Collects and analyzes information and data to detect deficient controls, duplicated effort, or non-compliance with laws, regulations, or policy; examines records and interviews staff regarding internal processes and procedures; examines and evaluates information systems and recommends controls to ensure data reliability and integrity.
3. Documents interviews and audit results; organizes collected data and supporting materials into documents; prepares comprehensive reports and presentations of audit findings, supporting charts, appendices and conclusions; makes

recommendations to management regarding audit results; presents findings to the Board of Commissioners and County Administration.

4. Reviews and inspects systems and program files for efficiency, effectiveness, and use of accepted procedures and practices; evaluates internal controls, program costs and accomplishments, organizational structures, policies, procedures, and processes; evaluates effectiveness and possible improvements.
5. Provides technical assistance to County management and departments regarding legislative or regulatory change; responds to management requests for department performance information, investigation of problem areas, and investigation of inappropriate activities; prepares supporting materials and recommendations.
6. Reviews County and department goals and objectives; examines and evaluates management activities to ensure consistency; compares progress to criteria used in the County and in other jurisdictions.

### **REQUIRED KNOWLEDGE AND SKILLS**

Working knowledge of: Government Auditing Standards; governmental accounting concepts, principles, and systems; principles of business and public administration; internal controls, financial research techniques, measurements, methods and procedures; project planning/management principles, tools, and effective techniques; applicable federal, state, and local laws, ordinances and regulations; methods for effective administrative report preparation and presentation; office equipment and computer software appropriate for sophisticated statistical analysis and data management.

Skill to: Plan, organize, direct, and lead audits of processes, programs and systems; evaluate and develop improvements in operations, policies, procedures and methods; use logic and reasoning to identify strengths and weaknesses of alternative solutions, conclusions or approaches to problems; use automated equipment and software for analysis and reports; plan, organize, lead, and monitor project teams; organize and present facts in a clear, concise and logical manner; use mathematical and statistical computations; understand accounting principles and data; actively listen to and understand information and ideas presented through spoken words and sentences; understand written communication and sentences in work related documents; communicate effectively, both orally and in writing on administrative and technical issues; establish and maintain effective working relationships with County employees, citizen and business groups, contractors and the public.

### **OTHER REQUIREMENTS**

Driving is required for County business on a regular basis or to accomplish work. Incumbents must possess a valid driver's license, and possess and maintain an acceptable driving record throughout the course of employment.



## **MINIMUM RECRUITING STANDARDS**

License as a Certified Internal Auditor (CIA) preferred. Any combination of education, training and certification, including Certified Municipal Auditor, Certified Management Accountant, Certified Public Accountant and/or a related advanced degree may be substituted for the CIA license.

Three years experience as an internal auditor or relevant experience providing similar analysis of the performance of government or business programs.