

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: Dec. 2, 2014 **Approx Start Time:** 10:30 AM **Approx Length:** 60 min

Presentation Title: Independent Internal Auditor Findings and Recommendations

Department: County Administration

Presenters: Laurel Butman, Deputy County Administrator

Other Invitees: N/A

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

We are seeking guidance from the Board regarding whether to establish an Independent Internal Auditor position at Clackamas County and, if so, Board expectations as to budget for the position, location of the position in the County organization, and governance structure.

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. This Policy Session is being held to allow the Board to review analysis and recommendations for funding and establishing an independent internal auditing function at the County as well as direction on a general implementation plan.

Current Audit Practices at Clackamas County

Financial Audits: A financial audit is an examination of the County's financial records and reporting activities (e.g., financial statements) by an independent auditor for the purpose of attesting to the accuracy and fairness of those financial statements and related disclosures. The County currently employs an Audit Manager in the Finance Department. The Audit Manager "manages the interim and yearly County audit activities, the process for audit firm selection, external auditor activities and the grant accounting staff and functions." This position is "also responsible for the financial statements and management discussion documents for the annual audit and financial reporting mandated for all governments by the Governmental Accounting Standards Board." Additionally, this position develops procedures to implement accounting standards and recommends accounting and financial policies and procedures as well as

providing staff support to the County's Audit Committee. The Budget Committee and Board added a Senior Accountant for Fiscal Compliance for federal grant sub-recipients in the FY 2014-15 budget process. This position reports to the Audit Manager.

Performance Audits: A performance audit is an assessment and appraisal of the efficiency and effectiveness (and sometimes economy) of an entity's procedures and processes in a defined area (department, division, program, or function). In the past, the County budgeted for and completed one to two performance audits of a department or a departmental function annually. These audits have been conducted by a consultant or consulting firm, each of which is chosen through the County's procurement process for professional services, with the contracts awarded to consultants with specific expertise in the function to be examined. Audit topic or focus has traditionally been a County Administrator recommendation approved through the budget process funded through a General Fund appropriation. Over the past 10 years, the average cost for a performance audit has been about \$30,000. In the past 19 years, the highest cost (\$80,000) was for a 2002 performance audit of the Sheriff's Office. *See Appendix A for a history of performance audits at Clackamas County.*

Forensic Audits: Forensic audits are usually performed to detect, investigate or deter criminal acts and usually accompany the investigation and prosecution of embezzlement, fraud or other criminal activity. Forensic auditing is also called forensic accounting. There are no apparent instances in which the County has contracted for a forensic audit.

Investigations: Investigations are systematic studies or inquiries into the particulars of a situation or event to learn the facts related to or causes of the situation. Outside of law enforcement, many investigations at the County are personnel related, in which the actions taken by a County employee are under inquiry. Some investigations are performed to determine procedural correctness. Investigations may be initiated by employees, either through personnel channels or via the County hotline. They may also be initiated by management or elected officials. Most investigations such as these are undertaken by one of the following: the Department of Employee Services; an outside investigator; or (in a few cases) the County Treasurer acting in the role of the EthicsPoint employee hotline manager.

FINANCIAL IMPLICATIONS (current year and ongoing):

Preliminary 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, at a minimum. The estimated start up costs and ongoing costs are outlined in the Fiscal Impact form at the end of this Worksheet and overall budget is discussed further in the Recommendations section. Generally, an estimated base (taking into account only compensation, technology and space) for adding a single Independent Internal Auditor position in the first year would be over \$140,000. Generally, internal audit programs employ three or more employees, which would at least triple this low estimate.

As for financing the position, two options are:

1. General Fund resources, and
2. General Fund funding in year one followed by inclusion in the cost allocation plan thereafter.

LEGAL/POLICY REQUIREMENTS:

There is no current legal requirement or Board-issued authority for the County to establish an Independent Internal Auditor or an independent internal audit function. There is direction from

the Board, in concert with the citizen Budget Committee members, to examine the concept and provide parameters for the establishment of this function.

PUBLIC/GOVERNMENTAL PARTICIPATION:

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

- Interviews conducted with key County stakeholders: Administrator, Treasurer, Finance Director, Audit Manager, and County Counsel;
- Research to compare internal audit functions across Clackamas, Multnomah and Washington counties; there is still outreach research pending with Lane County, a county which established in internal auditing function just recently;
- Research of the Association of Local Government Auditors website section “*Need Assistance Starting an Audit Function?*” (<http://algaonline.org/index.aspx?NID=151>);
- Review of the City of Portland’s Charter provisions for Audit Services;
- Drafting of preliminary classification specifications and compensation estimates; and
- Options identification and analysis.

OPTIONS:

Purpose/Definition of the Position: There are many known benefits to having an independent internal audit function in government (Association of Local Government Auditors, <http://algaonline.org/DocumentCenter/View/19>, pg 10) including:

- Enhancing accountability;
- Earning and increasing taxpayer confidence and respect for government; and
- Providing an independent and objective perspective.

Some jurisdictions perform this function via an independent appointed or elected internal auditor or program; others use external contractors to outsource independent audits. In-house positions and programs are more expensive than outsourcing models.

The County Audit Committee specifically recommended establishing a Certified Internal Auditor (CIA) function at Clackamas County. Typically CIAs conduct a variety of independent performance and procedural audits and investigations as opposed to strictly financial audits. At Clackamas County, this type of work has typically been performed by outside consulting firms.

Pros and cons of establishing an independent in-house position include the following.

1. Pros: A county employee with the right training and ethical standards for this work would have the benefit of more in depth understanding of County business lines, etc. and thus be able to perform more thorough and comprehensive analysis.
2. Cons: Using an outside firm for these functions may mitigate the impression or occurrence of bias.

The Department of Employee Services performed preliminary work to develop a draft classification and preliminary compensation estimates for an independent Internal Auditor. These items will be refined following this Policy Session with the Board if there is a decision to move forward and as further detail is determined about what is desired for this independent Internal Auditor position. *See Appendix B for the draft classification document.*

It bears mentioning that, by and large, most Independent Auditors at the local level are elected officials. Though this option has not been advanced by the audit committee or in subsequent conversations, it does present an additional consideration the Board may wish to discuss.

Reporting Structure: Oversight of an independent internal audit program could be shared jointly between the County Administrator and two other members of an internal governance body. The County Administrator reported that this approach worked well for him in Thurston County. A possible structure would include the elected Treasurer, County Counsel, and the County Administrator.

Location within the Organization: Currently, Clackamas County does not have an elected auditor whereas Washington County, Multnomah County, and the City of Portland all have elected auditors. A non-elected, appointed independent internal auditor at Clackamas County could reside in several different places within the County organization:

1. An independent office;
2. Within County Administration and the Board of County Commissioners' office;
3. Within the elected Treasurer's Office; or
4. Within County Counsel.

Locating the position in an independent office:

- Is a more expensive option as new organizational infrastructure would need to be established (new budget, support staff, etc.);
- Could recognize early on the probability that any Independent Internal Auditor may advocate that an additional staff of some composition will be needed to adequately discharge the duties of the position, thus ensuring adequate resourcing at the outset for the function;
- Would establish the independence of the position; and
- Could insure that the work of the position would be less subject to dilution or accretion of duties toward other needs of a home department.

Locating the position within County Administration/Board of County Commissioners' office:

- Provides a location aligned most closely with recent County practice as it is typically the County Administrator, in concert with the Board, who has determined performance audit needs, been responsible for oversight and accountability, and managed the budgets;
- The budget for the position/program could be accounted for within the Board of County Commissioners budget in this scenario while maintaining the position within County Administration or could be appropriated in the County Administration budget;
- Having direct oversight provided by the County Administrator (via the Administrator's governance body) would provide an accountability line as the Administrator reports directly to the Board of County Commissioners; and
- A potential downside of this location lies in the fact that because all department directors report directly to the County Administrator, questions could be raised as to the true independence of the position and/or the Administrator's role in influencing or capitalizing on the outcome of an independent audit; however,
- This last concern would be potentially mitigated by the reporting structure suggested in the above **Reporting** section.

Locating the position within the elected Treasurer's Office:

- Would place the position and its budget authority under the oversight of an independent elected official making the connection to the Board less direct in terms of oversight than if in another office with an appointed director;
- The current Treasurer oversees the County Hotline (EthicsPoint) which fields internal reports of employee fraud, theft, embezzlement, and misuse violations and, given that the Treasurer is often responsible for overseeing investigations into these reports, there is some general synergy between that function and an internal auditing function; and

- Could create the potential downside that because neither the Board nor the County Administrator has any oversight or authority over the Treasurer and, as future persons elected to the office might not have the same goals and vision for the Independent Internal Auditor, this could result in the position becoming politicized simply due to being within the purview of an elected official; however,
- This last concern would be potentially mitigated by the reporting structure suggested in the above **Reporting** section.

Locating the position within the County Counsel's Office:

- Would place the position under the oversight of the only other County employee besides the Administrator who directly reports to the Board;
- Would locate the position in the most direct proximity to the organization's legal knowledge which knowledge is critical to the auditing function;
- Would underscore an independence from the County Administrator while retaining Board authority and oversight; and
- Could create a potential downside that questions could be raised as to the true independence of the position; however,
- This last concern would be potentially mitigated by the reporting structure suggested in the above **Reporting** section.

Operating Authority and Procedures: *A summary of key issues to consider when determining authority and procedures for an Independent Internal Auditor position/program has been provided in Appendix C.*

RECOMMENDATIONS:

Purpose/Definition of the Position

Staff has no specific recommendation as to whether or not the County should establish an Independent Internal Auditor position at this time. However, it is important to stress that considerable additional resources would be needed to establish an Independent Internal Auditor position and there is all likelihood that more than one staff member would be necessary to effectively sustain the program's function.

The preliminary estimated budget forecast (which does not consider all costs) for such a position is over \$140,000, with additional start up costs of \$7,300. Compared to an average \$30,000-\$60,000 per year currently spent on outsourced performance and procedural audits, this is a considerable investment. If the Board determines this course, true budget numbers would need to be more thoroughly researched and brought back to the Board.

If the Board decides to establish an Independent Internal Auditor position, the preliminary draft classification document from Employee Services which focuses on performance and procedure auditing is recommended as a starting point.

Reporting Structure

A governing body structure is recommended, with the elected Treasurer, County Counsel, and the County Administrator serving as the internal governing body.

Location within Organization

No specific location preference is recommended. Staff feels that the independence of the position will be largely supported and driven by the recommended reporting structure rather than the location of the position within the organization.

Operating authority and procedures considerations

It is recommended that the procedural considerations presented in Appendix C be reviewed and determined first by the County Administrator in consultation with his staff and other key advisors, followed by Board determination of any items felt to need specific policy direction from the Board.

ATTACHMENTS:

1. Appendix A: A History of Performance Audits at Clackamas County
2. Appendix B: Draft Position Classification
3. Appendix C: Summary of Operating Authority and Procedures Considerations

SUBMITTED BY:

Division Director/Head Approval _____ n/a
Department Director/Head Approval _____ LSB
County Administrator Approval _____ DK

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| For information on this issue or copies of attachments, please contact Laurel Butman @ 503-655-8893. |
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Fiscal Impact Form

RESOURCES:

Is this item in your current work plan and budget?

- YES
 NO

ONGOING OPERATING EXPENSES/SAVINGS AND STAFFING:

Adding this position would result in ongoing expenses. Preliminary expenses are outlined below in the costs section of the Costs & Benefits table. It is anticipated that, to be fully effective, additional audit staff would be required to support the work of the Independent Internal Auditor. These costs have not yet been identified but the smallest effective audit program the research uncovered included three staff members. Total costs for such a program at Clackamas County could be projected by tripling the costs laid out below to over \$400,000 per year.

Please note that not all expenses are recognized in these estimates. Costs for personal services (potential outside contracts), materials and supplies, training, additional allocated costs, etc. were not considered in this review and will need to be identified if a decision is made to move forward with the creation of an Independent Internal Auditor position.

COSTS & BENEFITS:

| Costs: | | | | | | | |
|--------------------------|--|-------|------------------|-------------------|---------------------|----------------|-------|
| | Item | Hours | Start-up Capital | Other Start-up | Annual Operations | Annual Capital | TOTAL |
| | Internal Auditor salary ** | | | | \$81,453.82 | | |
| | Internal Auditor benefits ** | | | | \$51,355.10 | | |
| | Space/furnishings | | | \$3,000 | \$3500.00 | | |
| | Technology | | | \$4,300 | \$4,000.00 | | |
| | <i>Note: additional staff will likely be necessary to create a well functioning audit program.</i> | | | | | | |
| | Total Start-up Costs | | | \$7,300.00 | | | |
| | Ongoing Annual Costs | | | | \$140,308.92 | | |
| Benefits/Savings: | | | | | | | |
| | Item | Hours | Start-up Capital | Other Start-up | Annual Operations | Annual Capital | TOTAL |
| | No specific cost savings are quantifiable at this time. | | | | | | |
| | Total Start-up Benefit/Savings | | | | | | |
| | Ongoing Annual Benefit/Savings | | | | | | |

** Salary and benefits noted are given for **estimated mid-range** based on the preliminary classification review; these costs are for preliminary estimating purposes only.

Appendix A: A History of Performance Reviews/Audits at Clackamas County

| Year(s) | Department Focus/Topic | Service Provider | Contract Value | Type |
|---------|--------------------------------------|---|----------------|-------------------|
| 1995 | County Sheriff's Office | Internal Audit Associates | fee unknown | Performance Audit |
| 1995 | Tourism Development Commission | Kent & Snow CPAs | fee unknown | Performance Audit |
| 1997 | County Clerk - Elections | Talbot Korvola & Warwick CPAs/Consultants | \$ 24,500 | Performance Audit |
| 1998 | Finance - Purchasing Division | Talbot Korvola & Warwick CPAs/Consultants | \$ 25,875 | Performance Audit |
| 1999 | GSA - Copy Center Evaluation | Talbot Korvola & Warwick CPAs/Consultants | \$ 13,725 | Performance Audit |
| 1999 | GSA - Print Services Shop | Talbot Korvola & Warwick CPAs/Consultants | \$ 29,555 | Performance Audit |
| 2002 | County Sheriff's Office | Maximus Inc. | \$ 80,000 | Performance Audit |
| 2004 | County Clerk - Elections | Election Management Solutions | \$ 10,500 | Performance Audit |
| 2004 | Fleet Management Analysis | Point B Solutions | \$ 17,000 | Performance Audit |
| 2009 | County Clerk - all functions | Matrix Consulting | \$ 59,900 | Performance Audit |
| 2010 | Independent Review Committee Project | Joseph Simon | \$ 24,125 | Performance Audit |
| 2011 | County Forest Management Plan | Scientific Certification Systems | \$ 2,367 | Performance Audit |
| 2011 | Public and Government Affairs | Talbot Korvola & Warwick CPAs/Consultants | \$ 29,980 | Performance Audit |
| 2012 | Cost Allocation Program update | Financial Consulting Services Group | \$ 47,525 | Performance Audit |
| 2013 | DTD Code Enforcement | Financial Consulting Services Group | \$ 33,571 | Performance Audit |
| 2013 | Housing Authority | Talbot Korvola & Warwick | \$ 34,630 | Performance Audit |

| CPAs/Consultants | | | | |
|--|--|---|-----------|----------------------|
| Performance Audit subtotal | | | | \$ 433,253.00 |
| 1997 | Accounts Payable Collections Audit | PRS International | No Cost | Consulting |
| 2000 | Clackamas County Vector Control District | Talbot Korvola & Warwick CPAs/Consultants | \$ 7,750 | Review of Procedures |
| 2007 | Sheriff - Court Security review | National Sheriff's Assn. | \$ 7,900 | Consulting |
| 2008 | Economic Landscape Cluster Analysis | EcoNW | \$ 27,714 | Consulting |
| 2010 | Cost Allocation Program update | Financial Consulting Services Group | \$ 15,930 | Consulting |
| 2010 | Public Safety research project | Lake Research Partners | \$ 40,000 | Consulting |
| 2010 | Public Safety Ballot Measure | Elizabeth A Kaufman | \$ 7,500 | Consulting |
| 2012 | Forecasting and Financial Sustainability | GFOA Consulting Services | \$ 21,000 | Consulting |
| 2012 - 2013 | H3S - Business Process Improvements | Strategica | \$ 60,320 | Lean Consulting |
| Annually 2000-2002 | Solid Waste Haulers | Merina, McCoy CPAs | \$ 26,256 | Consulting |
| Annually since 2003 | Solid Waste Haulers | Bell & Associates | \$ 45,500 | Consulting |
| Operational Consulting subtotal | | | | \$ 259,870 |
| Total | | | | \$ 693,123 |

Appendix B: Draft Position Classification

CLACKAMAS COUNTY

CLASSIFICATION NO. DRAFT

Established:
FLSA: Exempt
EEO: 2

INTERNAL AUDITOR

CLASS CHARACTERISTICS

Under general direction, plans, organizes, and manages comprehensive, complex, and sensitive financial, performance, and specialized audits in accordance with generally accepted government auditing standards (GAGAS); 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, fiscal, budgetary, and other operational issues while exercising expert professional judgment with broadly defined practices and policies.

The Internal Auditor classification is a single advanced journey-level classification. Incumbents operate with a reasonable degree of independence and apply 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 financial, 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 financial and information systems and recommends controls to ensure data reliability and integrity.
3. Documents interviews and audit results; prepares comprehensive reports and presentations; makes recommendations to management regarding audit results; presents findings to BCC and management.
4. Reviews accounting systems and program files for efficiency, effectiveness, and use of accepted accounting procedures and practices; evaluates financial and managerial 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: Governmental accounting concepts, principles, and systems; principles of public administration; financial research techniques, measurements, methods and procedures; project planning/management principles, tools, and effective techniques; applicable federal, state, and local laws, ordinances, and regulations.

Skill to: Plan, organize, direct, and lead financial management programs and systems; evaluate and develop improvements in operations, policies, procedures and methods; use automated equipment and software for financial 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; 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.

Appendix C: Summary of Operating Authority and Procedures Considerations

The following summary of key points provides an overview of issues to consider when setting out authority and procedures for an Independent Internal Auditor position/program that Clackamas County should review in establishing a new position and/or program for independent internal auditing. *Source: City of Portland City Code/Charter Chapter 3.05 at <http://www.portlandonline.com/auditor/index.cfm?c=28343>.*

Independence – Under this section, considerations may include:

- A requirement that the position adhere to generally accepted Government Auditing Standards in conducting work will result in the position being considered independent by those standards;
- Whether – if the position audits an activity in the department/elected office where the position is housed – the audit scope will state that the Internal Auditor is not organizationally independent with regard to the entity being audited.

Scope of Audits – Under this section, considerations may include the following scope conditions. Generally, whether audits conducted will seek to independently determine if:

- Activities and programs have been authorized;
- Activities and programs are conducted in a manner to accomplish intended objectives;
- Activities or programs efficiently and effectively serve the intended purposes;
- Activities and programs are being conducted in compliance with applicable laws;
- Revenues are being properly collected, deposited and accounted for;
- Resources – including funds, property and personnel – are adequately safeguarded, controlled and used in a faithful, effective and efficient manner;
- Reports are provided that disclose fairly and fully all information required by law, necessary to determine the scope of programs and activities and provide a proper basis for evaluation;
- Adequate operating and administrative procedures and practices/systems have been established by management; and/or
- Indications of fraud, abuse or illegal acts are identified for further investigation.

Annual Audit Plan – Under this section, considerations may include:

- Provision for the Internal Auditor to submit an annual audit plan to the internal governing body for review, comment and approval; and
- Whether the annual audit plan is subsequently approved by the Board of County Commissioners. This raises the question of whether the Internal Auditor may initiate and conduct any audit(s) outside the approved audit plan. It may be that accordance with the independence provisions of generally accepted government auditing standards, the authority for selection of audit areas is required to reside solely with the Internal Auditor as appears to be the case for elected auditors. This may differ in this case as this would be an appointed position in Clackamas County and not an elected position.

Special Audits – Under this section, considerations may include:

- Whether Board members may request special audits that are not included in the annual audit plan and whether, after consultation with the internal governing body whose work would need to be postponed, special audits may become amendments to the annual audit plan; and
- Whether special audit reports will be handled the same as regular audit reports, except that in personnel matters of a confidential nature, reporting of results may be limited to the Commissioner requesting the audit.

Access to Records and Property – Under this section, considerations may include:

- Provision requiring those audited to furnish an auditor requested information and records;

- Provision requiring auditor access to inspect property, equipment and facilities; and
- Provision of a method if officers or employees fail to produce requested information.

Confidential Information – Under this section, considerations may include:

- Provision for the Internal Auditor to not disclose confidential records;
- Whether the Internal Auditor shall be subject to the same penalties as the legal custodian of records for any unlawful or unauthorized disclosure; and
- Whether the Internal Auditor shall maintain the confidentiality of information submitted in confidence, including the identity of the provider of the information.

Response by Entity Audited – Under this section, considerations may include:

- Whether a final draft of each audit report will be forwarded to the audited department or entity for review and comment before it is released;
- How the audited entity must respond; and
- Whether the Internal Auditor will include the full text of responses in reports.

Audit Reports – Under this section, considerations may include:

- Whether each audit will result in a written report;
- Timeliness of reporting;
- To whom reports are submitted and retention requirements for the Internal Auditor;
- Whether audit reports should contain:
 - Statement of audit objectives and description of audit scope and methodology;
 - Statement that the audit was performed in accordance with generally accepted government auditing standards;
 - Description of all significant instances of non-compliance and abuse and all instances of illegal acts found during or in connection with the audit;
 - A full discussion of audit findings and conclusions, including the causes of problem areas and recommendations for action;
 - Statement of management controls assessed and any significant weaknesses found;
 - Pertinent views of responsible officials concerning audit findings, conclusions and recommendations;
 - A listing of any significant issues needing further study and consideration; and
 - A description of noteworthy accomplishments of the audited organization.

Report of Irregularities – Under this section, considerations may include:

- Whether, if the Internal Auditor detects apparent violations of law or apparent instances of malfeasance or nonfeasance or information that indicates derelictions may be reasonably anticipated, irregularities shall be reported to the County Administrator (or Board Chair); and
- Whether, if the irregularity is criminal in nature, the Internal Auditor shall immediately notify County Counsel and the District Attorney in addition.

Contract Auditors, Consultants, and Experts – Under this section, considerations may include:

- If the Internal Auditor may obtain services from other professional experts to perform audit services.

External Quality Control Review – Under this section, considerations may include:

- Whether the Internal Auditor shall be subject to regular periodic peer review by a professional, non-partisan objective group utilizing guidelines adopted by the National Association of Local Government Auditors to evaluate compliance with generally accepted government auditing standards; and
- If so, to whom a copy of the written report of any such independent review shall be provided.