

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

A. PURPOSE

These procedures set forth the Finance and Government Operations Committee (FGOC) responsibility to oversee, monitor and review the Board's Management Audit function. They also elaborate on the duties and responsibilities designated in the Board's Management Auditor Policy (3.35). The topics covered are:

1. Management Auditor Duties
2. Annual Audit Work Plan Approval
3. Annual Audit Work Plan Status Reports
4. Timelines for Exit Conferences, Agency Responses, Final Reports
5. Special Projects
6. Media Inquiries
7. Implementation Monitoring
8. Status of Referrals and Implementation Monitoring Schedule
9. Annual Auditor Performance Evaluation
10. External Quality Review
11. Whistle Blower

B. MANAGEMENT AUDITOR DUTIES

The Board's Auditor Policy lists seven duties assigned to the Management Auditor; this section describes them in greater detail. The first three descriptions are consistent with definitions found in the General Accounting Office's (GAO) Governmental Accounting Standards.

1. Performance Audits - Economy and Efficiency

These audits include determining: (a) whether the entity is acquiring, protecting, and using its resources, such as personnel, property, and space, in an economical and efficient manner; (b) the cause of inefficiencies or non economic practices and/or procedures; and (c) whether the entity has complied with laws and regulations on matters of economy and efficiency.

2. Performance Audits - Program Performance

These audits include determining: (a) the extent to which desired results or benefits established by the legislature or other authorizing body are being achieved; (b) the efficiency and effectiveness of organizations, programs, activities, or functions; and (c) whether the entity has complied with significant laws and regulations applicable to the program.

3. Management and Technical Audits

These audits include determining whether: (a) explicit plans are developed to achieve clearly defined results; (b) an appropriate structure of management authority and

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

responsibility exists; (c) management has clearly communicated its expectations to those responsible for operations; (d) operations are regularly monitored and evaluated; (e) management controls and procedures are appropriately documented; and (f) technical methods are being used appropriately for the operations performed.

4. Budget Analysis

The Management Auditor will conduct analyses of the annual recommended budget from the County Executive, and present the analysis and recommendations that are reported to the Board prior to the budget hearings.

5. Ancillary Audit Services

These services include, but are not limited to: (a) independent review of county legislation with a fiscal impact that is presented to the Board for action; (b) independent staff analysis for committees of the Board, including independent budget analysis or certification of revenue and expenditure forecasts made by the County Executive or other elected officials; (c) risk assessments as approved by the Board or the Board's Finance and Government Operations Committee for specific functions, projections, programs, or the County as a whole; (d) monitoring and follow-up reporting of outstanding audit recommendations, and (e) any other assignments that the Board deems appropriate.

6. Special Studies or Projects

The Board may have other information needs that arise rapidly and call for intense activity over a relatively short period of time. These assignments may involve a brief review, development of information, or a detailed study.

7. Whistle Blower Support

Conduct an analysis and investigation for all complaints that are forwarded to the Management Audit Division.

C. ANNUAL AUDIT WORK PLAN APPROVAL

1. Developing a Preliminary Annual Audit Work Plan

Annually, the Management Auditor will provide to the FGOC in February a list of proposed audits for the upcoming fiscal year based on two sources. The first is responses received to a request for audit suggestions sent to each Board member. The second is a comprehensive risk assessment model that identifies, in priority order, the functions or departments to audit. At the Management Auditor's discretion, the Auditor may request suggestions from Board appointees and independently elected officials. The list will also include a preliminary projection of hours and cost for each proposed audit and a preliminary schedule.

2. Approving and Revising the Annual Audit Work Plan

The FGOC will review the potential audits and direct the Auditor to prepare a specific preliminary task plan and description of the audit scope for each audit to be considered at the

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

next regular FGOC meeting. The FGOC will make a recommendation to the full Board so that the Board may approve an annual work plan by June 30. If the FGOC recommended annual plan requires a budget augmentation, the FGOC will submit an inventory request for the Board to consider during the Budget Hearings. If during the year, the audit plan requires revisions to the approved audit list or their scopes, the FGOC will consider any requests prior to forwarding them to the Board for consideration and approval.

D. ANNUAL AUDIT PLAN STATUS REPORTS

The Management Auditor will submit semiannual written status reports and an annual report to the FGOC. Quarterly reports will be submitted in October, January, April, and August with the annual report in August.

The Management Auditor's semiannual reports will show all audits, the annual budget review, and any other major assignment, to include additions and deletions. The report will also include an appropriation status with dollar amounts and percent of total budget expended, and an explanation of variance of more than one month for dates and ten percent for hours for the items listed below. For each audit or assignment, the Management Auditor will show:

1. Planned Start Month
2. Actual Start Month
3. Planned Release of Final Draft Report
4. Actual Release of Final Draft Report
5. Planned Release Month to the Board
6. Actual Release Month to the Board
7. Budgeted Hours
8. Actual Hours Year -To - Date
9. Projected or Actual Hours at Project Completion
10. Projected or Actual Available Audit Hours

The Management Auditor's annual report will show a breakdown by hours and cost by month for each management audit, the budget analysis, and work for the Board Policy Committees and special projects. Special project work may be grouped with FGOC work.

E. TIMELINES FOR CONFERENCES, RESPONSES AND FINAL REPORTS

1. Entrance Conferences

The Management Auditor will conduct an entrance conference with the responsible department management for each audit. At least five working days prior to the scheduled meeting time, the Auditor will send a letter from the Board Chair and the Chair of the Finance Committee that describes the County's Management Audit Program and pertinent aspects of the management audit process.

2. Exit Conferences

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

The Management Auditor will discuss the findings, conclusions and recommendations of the audit or study with the agency or department management at an exit conference to be held not more than fifteen (15) working days from the date that the Auditor releases a complete final draft report. If the Management Auditor believes there should be an extension of the 15 working day time frame due to the length of the audit or the agency requests an extension, the Management Auditor will notify the FGOC of that extension and the new date.

3. Agency Written Responses

The Management Auditor will request that the responsible agency or department management provide a written response to the complete final draft report or study within 15 working days from the agency or department receiving revisions to the draft that resulted from the exit conference. If the Management Auditor believes there should be an extension to the 15 working day time frame due to the length of the audit or the agency requests an extension, the Management Auditor will notify the FGOC of that extension and the new date.

For the annual Budget analysis, the staff response will be incorporated into the release of the County Executive's Proposed Revisions to the

Recommended Budget Based on New and/or Updated Information. For ancillary audit services, and special studies or projects, a written response is at the discretion of the appropriate Board Appointee, or Independently elected Official.

4. Final Reports

The Management Auditor will provide a timely public release of the audits, the annual budget analysis or other work products. For audits, the Auditor will have a goal to release the final report within 10 working days of receiving the agency/department's written response. For the annual budget analysis, the Auditor will release the report in time to be considered during the Budget Hearings. For all other work products, the primary requester of the work product will establish a due date with the Management Auditor.

F. SPECIAL PROJECTS

The Management Auditor will obtain FGOC approval for a special study requested by a Board member that might or does exceed 24 staff hours to complete and report the results of these special studies to the requesting Board member and to every other Board member and the County Executive at the same time.

G. MEDIA INQUIRIES

The Management Auditor will refer any media inquiry at any time to the Management Auditor relating to any matter concerning the assigned duties listed in above to the Chair of the Finance and Government Operations Committee. The Management Auditor will not discuss anything relating to an audit unless specifically directed to do so by the Chair of the Finance and

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

Government Operations Committee. In the absence of the FGOC Chair, the Management Auditor will consult with the Board Chair.

H. BOARD REVIEW AND IMPLEMENTATION MONITORING

For each audit recommendation, the Management Auditor will assign an impact priority using a Board approved priority designation scheme. For each audit, staff to the Committee chair, working with the Vice Chair's staff, will prepare a matrix showing the audit recommendations, the staff response and a blank space for Committee action. At the Committee Chair's discretion, the Committee staff may group them into three categories: a) Board policy-level actions, b) recommendations which involve the interactions or boundaries between the audited department and other agencies, and c) recommendations that involve the internal policies and procedures of the audited department. The Committee chair may also recommend which recommendations be considered as a consent calendar with a possible recommendation that the full Committee would consider.

For those high priority audit recommendations that the Board approves for implementation, the Board will have a three-part implementation monitoring process. When preparing reports for this process, the appropriate Board Appointee or other Elected Official and the Management Auditor will have a timely exchange of their respective draft reports so that there are no surprises about their conclusions on the degree of implementation.

1. The Six-Month Status Report

The appropriate Board Appointee or Elected Official will submit an initial implementation status report to the Board through the Finance and Government Operations Committee and maybe also the Board Policy Committee that has oversight on the agency or department covered by the Audit. The report will reach the Policy Committee(s) six months after the Board takes final action on the Audit. At the same time, in the Management Auditor's discretion, or at the request of the Board or the Committee(s), the Management Auditor will provide a written independent assessment of the implementation status to the Policy Committee(s) for all Priority One (highest potential impact) recommendations.

2. The "Nine-Month" Follow-Up Status Report

For those high priority recommendations not yet implemented after six months, the Board Appointee or Elected Official will submit a follow-up status report to the Board through the Finance and Government Operations Committee and maybe also the Board Policy Committee that has oversight on the agency or department covered by the Audit. The report will reach the Policy Committee(s) three months from when the Board accepts the initial implementation status report. At the same time, in the Management Auditor's discretion, or at the request of the Board or Committee(s), the Management Auditor will provide a written independent assessment of the implementation status to the Policy Committee(s) for all Priority One (highest potential impact) recommendations that were not implemented at the six-month mark.

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

3. The Policy Committee Established Reports

For those few high priority recommendations not yet implemented after the initial and follow-up status reports, the agency or department will provide a detailed explanation of why the recommendation has yet to be implemented along with a timeline and resources needed for implementation. After the Policy Committee(s) and the full Board consider the explanation and the Board gives direction, the Board Policy Committee that has oversight on the agency or department will establish the frequency of future implementation monitoring, to include the role of the Management Auditor on any remaining Priority One recommendations. Whatever implementation monitoring frequency the Committee(s) establishes, the full Board will continue to receive any written reports submitted by the agency/ department and/ or the Management Auditor.

I. STATUS OF REFERRALS /IMPLEMENTATION MONITORING SCHEDULE

When the Management Auditor submits a semiannual status report, the County Executive will also submit a report that lists the following:

1. The projected and actual months of the initial and "nine-month" follow-up implementation monitoring reports to the Policy Committee(s) for audits from the previous and current year Board approved audit work plans.
2. Status of audit recommendations referred to the Administration and/or a Board Policy Committee(s) for further study and review prior to final Board action on implementation.

J. ANNUAL PERFORMANCE EVALUATION

The Management Auditor will submit an annual self-assessment evaluation of the Management Audit function to the Board members by a date that the Management Auditor's contract will specify. The self-assessment will provide a brief discussion (no more than 2 pages for each criterion) of how well the following performance evaluation criteria were met.

1. Meeting scheduled due dates and planned staff hours for management audit reports, ancillary audit services, budget analyses, and special studies or projects.
2. Discovering or raising important issues about how the County uses public resources, achieves Board adopted goals and objectives, and complies with applicable laws and regulations.
3. Making useful and valuable recommendations for the Board to consider.
4. Communicating and conducting audits and/or assigned duties in a professional manner with County agencies and departments.
5. Complying with the GAO's Government Accounting Standards and the Board's Policy on the Board's Management Auditor.

FINANCE AND GOVERNMENT OPERATIONS COMMITTEE
PROCEDURES ON BOARD'S MANAGEMENT AUDITOR

The FGOC Chair will arrange with Board Chair's Office for a closed session performance evaluation discussion with the Management Auditor. If the County is required to notify the contract Management Auditor of its desire to exercise its option to extend the contract, then the FGOC Chair will make the request in time for Board Chair to schedule the submission of the self-assessment and the performance evaluation in time to meet this requirement. The Board Chair or FGOC Chair, at the Board Chair's request, will also notify the Clerk of the Board of the Board's intent after the performance evaluation discussion. The Clerk of the Board will give the written notice based on the instructions from the Board Chair or FGOC Chair.

K. EXTERNAL QUALITY REVIEW

The Management Auditor will arrange for an external quality control review of the County's Management Audit Program by June 30, 2012, and at least every three years thereafter in accordance with current Government Accounting Standards. Results will be reported to the Board through the FGOC.

L. WHISTLE BLOWER SUPPORT

The Management Auditor will provide support to the County's Whistle Blower Program, including but not limited to, providing an analysis and investigation for all complaints that are forwarded to the Management Audit Division. A final report will be made and files for all complaints, and a summary report will be filed every 6 months with the Board of Supervisors. The content and format will be determined by the Board.