



To: City Council Member Jennifer Gates, Chair  
Government, Performance and Financial Management Committee  
City of Dallas

From: Jan Perkins, Senior Partner

Subject: Question Regarding Role of Chief Financial Officer in Audit Process

Date: January 21, 2019

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This memorandum provides Management Partners' response to the question you posed regarding involvement of the Chief Financial Officer or her staff in the audit process. The specific question we are responding to is as follows: *Should the Chief Financial Officer or her staff be involved in the audit process performed by the City Auditor's Office?*

Management Partners understands that the City Manager's interest is in ensuring accountability for implementing the audit recommendations, which is a shared goal of the City Auditor, and is the expectation of the City Council. We also understand that implementation of audit recommendations has historically been in the 40% range and that the City Manager is committed to a much higher implementation rate. As a result, he has assigned the Chief Financial Officer a key role in achieving this higher implementation rate. The issue raised by the City Auditor pertains to ensuring the independence of the City Auditor's Office in carrying out the role they are charged with.

Understanding and respecting the separate roles of the City Manager and City Auditor, there remains a shared goal that will be enhanced by ongoing communications between the two offices. Discussing specific audit projects and identifying process improvements will aid in achieving that goal. We recommend that the Interim City Auditor, City Manager and Chief Financial Officer collaborate to develop practical solutions, including agreed-upon points of involvement, that will meet the needs of the City Auditor for independence and the City Manager for implementation accountability.

Please let me know if you have questions for Management Partners about this memorandum.

Cc: Carol Smith, Interim City Auditor  
T.C. Broadnax, City Manager



To: City Council Member Jennifer Gates, Chair  
Government, Performance and Financial Management Committee  
City of Dallas

From: Jan Perkins, Senior Partner

Subject: Responses to Two Questions About the City Auditor Position

Date: January 21, 2019

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This memorandum provides Management Partners' responses to two questions you posed about the City Auditor position. The questions we are responding to are:

- Should the City Auditor's Office investigate inquiries or complaints about a member of the City Council?
- Should the *City Auditor's Responsibilities and Administrative Procedures* document and job description for City Auditor be updated?

Our team has studied these questions from several perspectives including local government best practices, professional guidance for auditors and an understanding of what is needed for effective implementation by city management. We reviewed the following documents.

- Memo from Interim City Auditor to John Rogers, Ethics Advisory Commission (Chapter 12A Code of Ethics) dated November 28, 2018
- City Charter Chapter IX – City Auditor
- City Charter Chapter III – Investigations
- Administrative Directive 2-14 Fraud, Waste, and Abuse Procedures
- City Council Resolution 90-4027 Changes to City Auditor Responsibilities and Administrative Procedures dated December 12, 1990
- Job announcement for recruitment of City Auditor, dated December 6, 2018

***Question 1. Should the City Auditor's Office investigate inquiries or complaints about a member of the City Council?***

In a November 28, 2018 memorandum from Interim City Auditor Carol Smith to the Chair of the Ethics Advisory Commission (Commission), John Rogers, Ms. Smith asked for guidance from the Commission on the following question: "In the event an ethics complaint contains allegations against City Council members, is the City Auditor expected or required to initiate investigations despite the fact that the Office of the City Auditor is not independent to do so?"

The memorandum goes on to explain that since July of 2017, sixty-one complaints were made against City Council members through the City's Fraud, Waste, and Abuse Hotline alleging City Ethics Code violations. To address these complaints, the City Auditor's Office forwarded them to the City Secretary, who subsequently sent them to the Committee for review and consideration.

Ms. Smith's concern is that since the City Auditor reports to, is hired, evaluated and could be terminated by the City Council, the independence of the City Auditor's Office would be put into question should that Office conduct an investigation that involved one or more City Council members. To date this has not occurred since, as noted above, the City Auditor's Office has so far passed any such complaints on to the City Secretary to be addressed by the Commission.

Management Partners has reviewed the U.S. Government Accountability Office's (GAO) *Government Auditing Standards 2018 Revision* (also referred to as the *Yellow Book*) and concurs with the Interim City Auditor that their involvement in an internal investigation of a member of the City Council would impair the appearance of independence of that Office. In particular, Section 3.30(e) of the *Yellow Book* refers to this type of situation as an "undue influence threat," which states the concern that the, "threat that influences or pressures from sources external to the audit organization will affect an auditor's ability to make objective judgments."

Applicable examples in the *Yellow Book* of possible impairment of auditor independence (Section 3.42 paragraphs (d) and (g)), include circumstances where there is "external interference over assignment, appointment, compensation, and promotion," or the "threat of replacing the auditor or the audit organization based on a disagreement with the contents of an audit report, the auditors' conclusions, or the application of an accounting principle or other criteria." Either of these examples could come into play should the City Auditor's Office be required to investigate complaints filed against a member of the City Council.

Given the auditing standards set by the GAO noted above, Management Partners agrees with the current approach of having the Commission review and make a determination regarding complaints against City Council members, rather than any investigation by the City Auditor's Office. The only role that the City Auditor's Office should have with regards to such complaints is to determine if the anonymous complaint is complete and if it alleges a violation of the City's Ethics Code. In those instances, the City Auditor would forward the complaint to the City Secretary for review by the Ethics Advisory Commission. If a complaint is not complete, the City Auditor would take no action.

**Recommendation:** Maintain the current practice of forwarding anonymous complaints related to the Mayor and/or Council members to the City Secretary for review by the Ethics Advisory Commission.



**Question 2: Should the City Auditor's Responsibilities and Administrative Procedures document and job description for City Auditor be updated?**

We reviewed a document entitled *City Auditor's Responsibilities and Administrative Procedures*. This document is dated December 1990. Much has changed in the last 28 years, including auditing standards that have been revised quite recently. The GAO Government Auditing Standards were revised in July 2018 and the Institute of Internal Auditors revised its *International Standards for the Professional Practice of Internal Auditing* in January 2017.

The City is recruiting for a City Auditor and as part of that process has prepared a job announcement. It is important that the new City Auditor operate under current standards and guidelines. Therefore, a task that should be undertaken is to update the *City Auditor's Responsibilities and Administrative Procedures* document to reflect new standards, guidelines, policies and procedures established since 1990. It would be advisable for a draft to be prepared prior to the appointment of the new City Auditor so that it could then be finalized with his or her input in a timely manner.

**Recommendation:** Update the *City Auditor's Responsibilities and Administrative Procedures* and job description to reflect current professional standards as well as any applicable changes in City of Dallas policies or procedures.

## Conclusion

The position of City Auditor has served an important function in the City of Dallas for many years. The question of auditor independence is always one of concern for the position, which is relevant to the question of handling complaints about members of the City Council. Additionally, as the City recruits for a new City Auditor, it is an appropriate time to update the document outlining the responsibilities of the position so they reflect today's professional standards and existing City of Dallas policies.

Please let me know if you have questions for Management Partners about this memorandum.

Cc: Carol Smith, Interim City Auditor  
T.C. Broadnax, City Manager



# Memorandum



CITY OF DALLAS

DATE: January 30, 2019

TO: Honorable Members of the Government Performance & Financial Management Committee

SUBJECT: City Auditor's Responsibilities and Administrative Procedures

Per City Council Member Gates' request, I am providing information to assist you should you decide to consider potential changes to the City Auditor's responsibilities and administrative procedures.

The Association of Local Government Auditors (ALGA) provides *Model Legislation Guidelines for Local Government Auditors* (Model Legislation) [see textbox and Attachment III]. The Office of the City Auditor compared the City Auditor's responsibilities and administrative procedures, as specified in the City Charter, City Code, and in City Council Resolution 90-4027, to the Model Legislation. Then, we compared the Model Legislation to the legislation of seven comparable extra-large and large audit offices<sup>1</sup> and analyzed the results to determine if changes are necessary.

**Association of Local Government Auditors**

Auditing is a cornerstone of good public sector governance and stewardship. The Association of Local Government Auditors (ALGA) supports the establishment and continuous improvement of independent financial and performance auditing in local government.

Local governments establish, staff, and maintain independent audit functions to enhance accountability, earn and increase citizen confidence and respect for government, and provide an independent and objective perspective.

*Source: ALGA Model Legislation Guidelines for Local Government Auditors*

In contrast to the large audit offices, the results show the extra-large audit offices, including the City of Dallas (City), generally align with the Model Legislation (see Attachments I and II). The results also show the:

- City of Austin's and the City of San Antonio's legislation more closely aligns with the Model Legislation than the legislation of the other audit offices
- Model Legislation and the legislation of the audit offices do not address day-to-day audit coordination with management

<sup>1</sup> The seven audit offices include: **Extra-large** - (1) City of Austin; (2) City of Phoenix; (3) City of San Antonio; and **Large** - (1) City of Charlotte; (2) City of Fort Worth; (3) City of Long Beach; and, (4) City of San Jose. The audit offices were selected from the ALGA database. The analysis was limited to cities with comparable size audit offices that have a City Council/City Manager form of government.

- Office of the City Auditor has opportunities to further align with the Model Legislation through City Charter and City Council Resolution changes

Although the City Auditor's responsibilities and administrative procedures, as specified in the City Charter, City Code, and in City Council Resolution 90-4027, do not completely align with the Model Legislation, the Office of the City Auditor follows *Government Auditing Standards*. Therefore, the Office of the City Auditor's policies and procedures and operational practices result in a more complete alignment.

Because consideration of changes to the City Charter is not feasible for several years and the analysis shows the Office of the City Auditor generally aligns with the Model Legislation, changes to the City Auditor's responsibilities and administrative procedures are not urgent. An updated City Council Resolution, however, would allow the City Council an opportunity to strengthen the Office of the City Auditor's independence and update the language to align with the Model Legislation.

If you have any questions or would like additional information, please contact me at 214-670-4517 or by email at [carol.smith@dallascityhall.com](mailto:carol.smith@dallascityhall.com).

Sincerely,



Carol A. Smith, CPA, CIA, CFE, CFF  
Interim City Auditor

#### Attachments

C: T.C. Broadnax, City Manager  
Christopher J. Caso, Interim City Attorney  
Kimberly Bizer Tolbert, Chief of Staff  
M. Elizabeth Reich, Chief Financial Officer

**Comparison of Association of Local Government Auditors Model Legislation Components  
To Extra-Large City Audit Offices' Legislation**

<b>Model Legislation Component</b>	<b>City of Austin</b>	<b>City of Dallas</b>	<b>City of Phoenix</b>	<b>City of San Antonio</b>
<b>Organizational Independence – Establishment of the Audit Function</b>	Y	Y	N	Y
<b>Term</b>	Y	P	N	P
<b>Nonpartisanship</b>	N	Y	N	Y
<b>Restrictions on Other Candidacy</b>	Y	N	N	Y
<b>Qualifications - Competent Leadership</b>	Y	Y	N	Y
<b>Compensation</b>	N	N	N	P
<b>Funding</b>	P	Y	N	Y
<b>Appointment of Employees</b>	Y	Y	N	Y
<b>Professional Development</b>	N	N	N	Y
<b>Powers and Duties; Scope of Audits</b>	Y	Y	Y	Y
<b>Standards</b>	Y	P	N	Y
<b>Audit Committee</b>	P	P	N	Y
<b>Audit Schedule</b>	P	Y	N	P
<b>Access to Employees, Records and Property</b>	P	P	P	P
<b>Agency Response</b>	P	P	N	N
<b>Audit Reports</b>	Y	Y	N	N
<b>Report of Irregularities</b>	Y	Y	N	Y
<b>Annual Report</b>	Y	N	N	N
<b>Audit Follow-up</b>	Y	Y	N	Y
<b>Contract Auditors, Consultants and Experts</b>	Y	N	N	Y
<b>Peer Reviews</b>	P	P	N	Y

Source: City Auditor analysis of City Charters, City ordinances, and other relevant legislation

- Y – Aligns with the Association of Local Government Auditors (ALGA) Model Legislation Component  
P – Partially aligns with ALGA Model Legislation Component  
N – Does not align with ALGA Model Legislation Component

**Comparison of Association of Local Government Auditors Model Legislation Components  
To Large City Audit Offices' Legislation**

<b>Model Legislation Component</b>	<b>City of Charlotte</b>	<b>City of Fort Worth</b>	<b>City of Long Beach</b>	<b>City of San Jose</b>
<b>Organizational Independence – Establishment of the Audit Function</b>	N	Y	Y	Y
<b>Term</b>	N	P	Y	Y
<b>Nonpartisanship</b>	N	N	N	N
<b>Restrictions on Other Candidacy</b>	N	N	N	N
<b>Qualifications - Competent Leadership</b>	N	P	Y	N
<b>Compensation</b>	N	P	N	N
<b>Funding</b>	N	N	N	N
<b>Appointment of Employees</b>	N	N	Y	Y
<b>Professional Development</b>	N	N	N	N
<b>Powers and Duties; Scope of Audits</b>	P	Y	Y	Y
<b>Standards</b>	Y	N	N	N
<b>Audit Committee</b>	N	N	N	N
<b>Audit Schedule</b>	P	P	N	N
<b>Access to Employees, Records and Property</b>	P	P	N	P
<b>Agency Response</b>	N	N	N	N
<b>Audit Reports</b>	Y	N	P	Y
<b>Report of Irregularities</b>	N	N	Y	N
<b>Annual Report</b>	N	N	N	N
<b>Audit Follow-up</b>	N	N	N	N
<b>Contract Auditors, Consultants and Experts</b>	N	N	N	N
<b>Peer Reviews</b>	N	N	N	P

Source: City Auditor analysis of City Charters, City ordinances, and other relevant legislation

Y – Aligns with the Association of Local Government Auditors (ALGA) Model Legislation Component

P – Partially aligns with ALGA Model Legislation Component

N – Does not align with ALGA Model Legislation Component

**The Association of Local Government Auditors  
Sample Enabling Legislation: Charter or Code**

*The Charter or Code to establish an audit function is an important document. It sets forth the qualifications, duties, powers and manner of securing the office of the local government Auditor. The local governing body will enact legislation in various forms, depending on the particular state or provincial constitution or statutes. The information contained in this document is to be considered as general guidelines to be adapted in context with applicable state or provincial laws. Elements described on the following pages are applicable to a legislatively appointed or elected Auditor and, with some modifications to a management-appointed Auditor.*

**Ordinance/Resolution/Policy Statement**

*WHEREAS, public officials, government managers, and private citizens want and need to know not only whether government funds are handled properly and in compliance with laws and regulations, but also whether public programs are achieving the purposes for which they were authorized and funded, and, whether they are doing so efficiently, effectively, and equitably;*

*WHEREAS, an independent auditing function can provide objective information on the operations of government programs, assist managers in carrying out their responsibilities, and help ensure full accountability to the public;*

*WHEREAS, recognized government auditing standards provide a framework for improved government decision-making, oversight and accountability;*

*WHEREAS, the independence and public accountability of the Auditor can be assured by provision of an (elected or legislatively appointed) Auditor;*

*NOW BE IT RESOLVED;*

**Organizational Independence – Establishment of the Audit Function**

*(Elected or Appointed) The (NAME OF OFFICE/DEPARTMENT) is hereby established.*

*(Appointed Auditor) The (CITY/COUNTY) Auditor shall be designated through appointment by a majority vote of the (LEGISLATIVE BODY).*

**Term**

*(Elected Auditor) The term of the Auditor shall be \_\_\_\_\_ years.*

*(Appointed Auditor) The Auditor shall serve a minimum term of \_\_\_\_\_ years, unless removed for cause by a vote of at least two-thirds of the legislative body. The Auditor may be reappointed at the end of the term of office.*

**Nonpartisanship**

*The position of the Auditor shall be nonpartisan.*

**Restrictions on Other Candidacy**

*Filing for an elective office over which the Auditor has audit jurisdiction will be the same as resignation, effective as of the date of filing.*

### **Qualifications - Competent Leadership**

*The Auditor shall possess adequate professional proficiency for the job, demonstrated by relevant certifications such as Certified Internal Auditor (CIA), Certified Public Accountant (CPA) or Chartered Accountant (CA) or have an advanced degree and at least five (5) years of experience in government auditing, evaluation or analysis. The Auditor should have a bachelor's degree in public policy, accounting, business administration, economics or a related field. (note: for elected auditors, qualification will have to be more specific. Some U.S. cities require obtaining either the CPA or the CIA designation, while a few require only that the individual be registered to vote in the entity.)*

### **Compensation**

*The Auditor shall be compensated at a level consistent with the jurisdiction's department directors. Experience, performance, certifications and advanced degrees may be taken into account in determining compensation.*

*(Elected or Appointed) Auditor may include: The (CITY/COUNTY) Auditor's salary shall be set by the legislative body and reviewed annually. (In some jurisdictions, specific guidelines for the Auditor's salary and budget are established in the Charter or Code. Salary guidelines for elected auditors sometimes are tied to salaries of judges or other auditors)*

### **Funding**

*Sufficient funds shall be proposed and approved to carry out the responsibilities specified herein. The Auditor's budget shall be submitted to Council directly by the Auditor or by the Audit Committee. (Note: more specific language in some entities requires that the audit function receive a specific percentage of the annual budget or exempts the function from management proposed across the board budget reductions).*

### **Appointment of Employees**

*The Auditor shall have the power to appoint, employ, and remove such assistants, employees and personnel as deemed necessary for the efficient and effective administration of the affairs of the office and to prescribe their duties, scope of authority and qualifications.*

### **Professional Development**

*Sufficient resources shall be made available to the Auditor and staff to ensure appropriate professional development, continuing professional education and compliance with applicable certification requirements.*

### **Powers and Duties; Scope of Audits**

*The Auditor shall have authority to conduct financial and performance audits of all departments, offices, boards, activities, agencies and programs of the entity in order to independently and objectively determine whether:*

- 1. Activities and programs being implemented have been authorized by government Charter or Code, state or provincial law or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws;*
- 2. 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. *Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources;*
6. *Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls; and*
7. *Indications of fraud, abuse or illegal acts are valid and need further investigation.*

### **Standards**

*Audits shall be conducted in accordance with recognized government auditing standards.*

### **Audit Committee**

*Note: An audit committee may be established in an advisory capacity to provide recommendations on such issues as the Auditor's salary, work program, review of the audit function and hiring and oversight of external auditors. An elected Auditor may consider establishing an audit committee to ensure that audit issues receive appropriate attention and resources from the governing body, and to safeguard against challenges to independence from management. The following describes a possible audit committee structure when the Auditor is appointed by the legislative branch or by the independent audit committee itself. This structure, with minor modifications, would also serve to enhance the independence of a management-appointed Auditor or, with additional modifications, an elected Auditor.*

1. *To ensure independence of the audit function, an audit committee is hereby established. The audit committee shall consist of \_\_\_\_\_ voting members; \_\_\_\_\_ (Council or Board Members) and \_\_\_\_\_ at-large members, who shall be appointed by the legislative body. The \_\_\_\_\_ at-large members shall be residents of the (CITY/COUNTY) with expertise in auditing, preferably performance auditing as well as financial auditing. Minimum professional standards shall include at least five years of experience as a performance auditor, a Certified Public Accountant, Certified Internal Auditor, Certified Management Accountant or ten years of other relevant professional experience. Of the \_\_\_\_\_ at-large members, one member shall be appointed for a term expiring on January 31, 20xx; one member shall be appointed for a term expiring on January 31 of the following year; and one member shall be appointed for a term expiring on January 31 of the subsequent year. Thereafter, members shall be appointed for three-year terms. The \_\_\_\_\_ at-large members are limited to two full consecutive terms, with one-year intervening before they become eligible for reappointment.*
2. *The audit committee shall consult with the (CITY/COUNTY) Auditor regarding technical issues and work to assure maximum coordination between work of the Auditor's office and external audit efforts.*
3. *The audit committee shall meet as needed to perform its duties but shall not meet less than once quarterly and shall be responsible for:*
  - *Reviewing the Auditor's audit plan annually and submitting a proposed Auditor's Office budget annually to the (CITY COUNCIL/COUNTY BOARD) (note: or to the Auditor for submission to the legislative body);*
  - *Performing regular evaluations of the (CITY/COUNTY) audit function (if not elected) and making recommendations for the chief audit executive's salary and staffing; reporting results to the (CITY COUNCIL/COUNTY BOARD);*
  - *Providing suggestions and comments for the annual audit plan;*

- *Ensuring that audit reports are transmitted to the legislative body and to the public;*
  - *Monitoring follow-up on reported findings to assure corrective action is taken by management;*
  - *Reporting to the legislative body on problems or problem areas at such times as deemed appropriate;*
  - *Conducting or overseeing the requests for proposal and selection process for the firm conducting the annual financial statement audits; ranking and recommending in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services. If fewer than three firms respond to the RFP, the committee shall recommend such firms as it deems to be the most highly qualified. (note: alternatively, the Auditor may conduct the RFP process and the audit committee may select the firm);*
  - *Evaluating the firm providing annual financial statement auditing services and providing oversight of those services, including ensuring transmission of reports and follow up on corrective action by management;*
  - *Evaluating the findings and recommendations of the peer review as required by recognized government auditing standards;*
  - *Consulting with the (CITY/COUNTY) Auditor regarding technical issues with the external audit firm, and working to assure maximum coordination between work of the Auditor's Office and contracted audit efforts and other consulting engagements;*
  - *Maintaining the confidentiality of personnel matters while taking responsibility for appropriate disclosure to the legislature or to the public;*
  - *At least annually, meeting separately with the (CITY/COUNTY) Manager, (CITY/COUNTY) Auditor, the chief financial officer, and the audit firm, to evaluate the condition of the entity's controls, systems and risk, and performance of the audit firm, and to discuss other matters the firm, the auditors, or staff desires or is required to bring to the committee's attention such as fraud, illegal acts, and financial and control weaknesses.*
4. *The audit committee shall have the authority to hire outside experts, including legal counsel, when necessary.*
5. *Sufficient resources shall be provided to enable the audit committee to carry out these responsibilities.*

### **Audit Schedule**

*At the beginning of each calendar/fiscal year, the Auditor shall submit a one-to-five-year audit schedule to the legislative body or audit committee for review and comment. The schedule shall include the proposed plan, and the rationale for the selections, for auditing departments, offices, boards, activities, subcontractors and agencies for the period. This schedule may be amended after review with the legislative body or audit committee, but the Auditor shall have final authority to select the audits planned.*

*In the selection of audit areas and audit objectives, the determination of audit scope and the timing of audit work, the Auditor should consult with federal and state or provincial auditors and external auditors so that the desirable audit coverage is provided and audit effort is properly coordinated.*

### **Access to Employees, Records and Property**

*All officers and employees of (NAME OF ENTITY) shall furnish to the Auditor unrestricted access to employees, information and records (including electronic data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or*

otherwise perform audit duties. In addition, they shall provide access for the Auditor to inspect all property, equipment and facilities within their custody. If such officers or employees fail to produce the aforementioned access and/or information, the Auditor may initiate a search to be made and exhibits to be taken from any book, paper or record of any such official or employee, or outside contractor or subcontractor, except as governed by statute. Further, all contracts with outside contractors and subcontractors shall contain a "right-to-audit" clause and provide for Auditor access to the contractor's employees and to all financial and performance related records, property, and equipment purchased in whole or in part with governmental funds. (note: some jurisdictions specify subpoena powers for the Auditor)

### **Agency Response**

A final draft of the audit report will be forwarded to the audited agency and the chief executive officer for review and comment regarding factual content prior to its release. The agency must respond in writing, specifying (i) agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations; (ii) plans for implementing solutions to issues identified; (iii) a timetable to complete such activities. The response must be forwarded to the Auditor within (SPECIFY TIME FRAME). The Auditor will review and report on information included in the agency's response. If no response is received, the Auditor will note that fact in the transmittal letter and will release the audit report.

### **Audit Reports**

Each audit will result in a report, written or in some other retrievable form. The report shall contain relevant background information and findings and recommendations, and shall communicate results to the audit committee, legislative body management and the public.

### **Report of Irregularities**

If, during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the governmental entity, the Auditor shall report the irregularities to the audit committee, the chief executive officer, legislative counsel or legislative body. In the case of an Auditor appointed by the chief executive officer, if the chief executive officer is believed to be a party to abuse or illegal acts, the Auditor shall report the acts directly to the legislative body. If it appears that the irregularity is criminal in nature, the Auditor shall notify the chief prosecuting authority in addition to those official previously cited.

### **Annual Report**

The Auditor shall submit an annual report to the legislative body indicating audits completed, major findings, corrective actions taken by administrative managers, and significant issues which have not been fully addressed by management.

### **Audit Follow-up**

The Auditor shall follow-up on audit recommendations as practical to determine if corrective action has been taken. The Auditor may request periodic status reports from audited agencies regarding actions taken to address reported deficiencies and audit recommendations.

### **Contract Auditors, Consultants and Experts**

The Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts necessary to perform audit work. An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the governmental entity or its officers. The Auditor will coordinate, and monitor auditing performed by certified public accounting firms or other organizations employed under contract by the (NAME OF ENTITY) to assist with audit related activities. Contracting for the external audit will follow (NAME OF ENTITY)'s normal contracting processes except for the participation and

*oversight by the Audit Committee (and/or Auditor). The selection of a certified public accounting firm for the annual financial audit must be approved by (LEGISLATIVE BODY).*

### **Peer Reviews**

*The audit activities of the Auditor's office shall be subject to a peer review in accordance with applicable government auditing standards by a professional, nonpartisan objective group utilizing guidelines endorsed by the Association of Local Government Auditors (ALGA). A copy of the written report of this independent review shall be furnished to each member of the (LEGISLATIVE BODY).*

*The peer review will use applicable government auditing standards to evaluate the quality of audit effort and reporting. Specific quality review areas shall include staff qualifications, adequacy of planning and supervision, sufficiency of work paper preparation and evidence, and the adequacy of systems for reviewing internal controls, fraud and abuse, program compliance, and automated systems. The peer review will also assess the content, presentation, form, timelines, and distribution of audit reports. The (NAME OF ENTITY) shall pay for the costs of the peer review from the Auditor's budget.*