



External Quality Control Review

of the
Multnomah County
Auditor's Office

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period January 1, 2008 to December 31, 2010



Association of Local Government Auditors

May 26, 2011

Mr. Steve March, County Auditor
501 SE Hawthorne Blvd.
Room 601
Portland, Oregon 97214

Dear Mr. March:

We have completed a peer review of the Multnomah County Auditor's Office for the period January 1, 2008 to December 31, 2010. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Multnomah County Auditor's Office internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements from January 1, 2008 to December 31, 2010.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.



Ruth Holden
Chief Auditor
Management Audit
Services
Los Angeles County
Metropolitan Transportation
Authority



Carol Smith
Assistant City Auditor
Office of the City Auditor
Dallas, Texas



Keith Slade
Internal Auditor
Audit Department
Clark County, Nevada



Association of Local Government Auditors

May 26, 2011

Mr. Steve March, County Auditor
501 SE Hawthorne Blvd.
Room 601
Portland, Oregon 97214

Dear Mr. March:

We have completed a peer review of the Multnomah County Auditor's Office (Office) for the period January 1, 2008 to December 31, 2010 and issued our report thereon dated May 26, 2011. We are issuing this companion letter to offer certain observations and recommendations stemming from our peer review.

We would like to first mention some of the areas in which we believe your office excels:

- Issuing substantive reports, identifying significant issues and making appropriate recommendations to improve the management of Multnomah County and the services provided to its citizens;
- Writing and presenting clear and concise reports; and
- Demonstrating competency in using audit technology to analyze County information systems and data.

In addition, we offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards (GAS)*:

- Updating Office Policy Manual

GAS 3.51, *System of Quality Control*, states that the organization's policies and procedures are designed to provide reasonable assurance of complying with professional standards. The Office's Policy Manual does not include sufficient guidance to provide reasonable assurance of complying with standards. Instead, the Office relies upon an Independent Review Checklist to demonstrate audits comply with applicable standards. The Office Policy Manual should include sufficient direction on how to apply the standards.

GAS 3.54 requires the audit organization to annually analyze and summarize its monitoring procedures. The required annual monitoring and the follow-up of prior annual monitoring results were not always timely. This was due in part to the transition of a new County Auditor to the Office.

GAS 3.30(a) includes requirements for documenting non-audit services. The Office Policy Manual currently discusses non-audit services in several different sections. We noted that the non-audit services performed did not include all documentation required by standards.

We recommend the Office Policy Manual be updated to: 1) include direction on how to apply the standards; 2) include a key list of deliverables required for annual monitoring; and, 3) organize non-audit services into one section and identify required documentation.

- Improving Audit Documentation

GAS 7.77 states that audit documentation should be in sufficient detail so that an experienced auditor can understand the nature, timing, extent, and results of audit procedures. When we reviewed individual working papers it was difficult to determine the nature and purpose of the work completed. However, if we began with the referenced report draft, we could determine which findings and conclusions the working papers supported.

GAS 7.11(c); 7.11(d), 7.24; 7.27, and 7.30 are planning standards requiring an assessment of audit risk and significance within the context of the audit objectives. Audit documentation did not always demonstrate assessments for fraud risk and information system controls as required by the standards.

GAS 7.80(c) requires documentation of supervisory review before the report is issued. The supervisory review that occurs during the course of the audit was not always adequately documented.

We recommend the Office Policy Manual: 1) include procedures that require audit documentation be completed in sufficient detail; 2) include documentation requirements related to assessing all relevant risks within the context of the audit; and, 3) include documentation requirements related to supervision. The Office may want to consider using standard templates to ensure completeness and consistency.

- Improving Independent Review Timeliness

GAS 7.78 requires that audit documentation constitute the principle record of work done in accordance with standards. The Independent Review Checklist is the Office's key document that demonstrates compliance with the standards and it was not completed timely.

We recommend the Office complete the Independent Review Checklist prior to issuing the report.

Mr. Steve March
May 26, 2011
Page 3

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,



Ruthe Holden
Chief Auditor
Management Audit
Services
Los Angeles County
Metropolitan Transportation
Authority



Carol Smith
Assistant City Auditor
Office of the City Auditor
Dallas, Texas



Keith Slade
Internal Auditor
Audit Department
Clark County, Nevada



Office of Multnomah County Auditor

Steve March
County Auditor

501 SE Hawthorne Room 601
Portland, Oregon 97214
Phone: (503) 988-3320

Fran Davison
Judith DeVilliers
Shannon Grzybowski
Craig Hunt
Amanda Lamb
Shea Marshman
Mark Ulanowicz

May 26, 2011

Ruthe Holden, Chief Auditor
Management Audit Services, Los Angeles Co. Metropolitan Transportation Authority
Los Angeles, California 90012

Carol Smith, Assistant City Auditor
Office of the City Auditor
Dallas, Texas 75201

Keith A. Slade, Internal Auditor
Clark County Audit Department
Las Vegas, Nevada 89155

Peer Review Team Members,

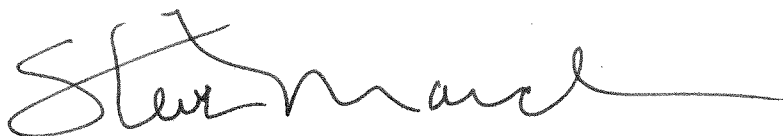
We first want to thank you for the amount of work you have put into our peer review and the entire process. From the moment you arrived it was obvious that you had already put considerable time and effort coming to an understanding of our policies & procedures, as well as our work products, both audits and non-audits. We appreciate your insights and advice on how to improve not only how we document our work but how we ensure that our work remains at the highest standards and satisfies completely *Generally Accepted Government Auditing Standards*. With the benefit of your insights I believe we can also address some of the unique aspects of the Multnomah County Auditor's Office, in particular those related to the built-in turnover due to term limits.

We appreciate your critiques and suggestions that you have made to strengthen and integrate our procedures and policies with the Yellow Book. We will be revising those in the upcoming months, in part due to the upcoming revisions to the Yellow Book, but also so that we can better document our compliance with the *Standards* through better procedures for the office. As we revise our Policies & Procedures, particular attention will be paid to linking our policies directly to the appropriate chapters and sections of the Yellow Book. While in practice we have followed *Government Auditing Standards* we want to make sure our written policies tie directly to the written standards so that the public, new auditors, and even future peer reviewers are better able to see the connections between the Multnomah County Auditor's Office Policies and *Government Auditing Standards* and our work is so documented.

Additionally, I plan to develop a checklist for succeeding Auditors with timelines of tasks which require regular attention, from the daily bills, to the bi-monthly time approval, to the annual quality control system, to the every-three-year peer review requirement. The turnover related to term limits and opportunities which resulted in a temporary Interim Auditor and a great deal of work falling to the staff might be repeated in the future and a checklist would assist staff, an Interim Auditor, or a newly-elected Auditor in keeping the office to the highest professional standards.

We want to thank you all again for the services you have provided to help us maintain our compliance with *Government Auditing Standards*. Your insights and constructive input will only improve our processes going forward. Any organization can benefit from this peer review process and I know our office has benefited from this one. We will be able to strengthen our organization, policies and procedures as a result of your work here; thank you.

Sincerely,

A handwritten signature in cursive script that reads "Steve March". The signature is fluid and professional, with a long horizontal line extending from the end of the name.

Steve March
Multnomah County Auditor