



Association of Local Government Auditors

July 15, 2010

Mr. Greg Kimsey
Auditor
1300 Franklin Street, Suite 591
P.O. Box 5000
Vancouver, Washington 98666-5000

Dear Mr. Kimsey,

We have completed a peer review of the Clark County, Washington Audit Services division of the Auditor's Office for the period January 1, 2009 through June 30, 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 Clark County, Washington Audit Services division's 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 during the review period of January 1, 2009 through June 30, 2010.

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

Renata Khoshroo

City of San Jose, California
City Auditor's Office

Judith DeVilliers

Multnomah County
Auditor's Office



Association of Local Government Auditors

July 15, 2010

Mr. Greg Kimsey
Auditor
1300 Franklin Street, Suite 591
P.O. Box 5000
Vancouver, Washington 98666-5000

Dear Mr. Kimsey,

We have completed a peer review of the Clark County, Washington Audit Services division of the Auditor's Office for the period January 1, 2009 through June 30, 2010 and issued our report thereon dated July 15, 2010. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention areas in which we believe your office excels:

- Staff of Audit Services is highly experienced with an extensive background in governmental auditing.
- Through its work, Audit Services has: (1) assisted other County Departments in understanding and enhancing internal controls (2) trained employees in ethics. This work benefits the organization overall by helping to foster a culture in which internal controls and ethics are taken seriously.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Supporting project files for nonaudit work did not include a documented evaluation of whether nonaudit work creates an independence impairment. GAS 3.20 states "Audit organizations that provide nonaudit services must evaluate whether providing the services creates an independence impairment either in fact or appearance with respect to entities they audit. GAS 3.21 further states "Audit organizations in government entities generally have broad audit responsibilities and, therefore, should establish policies and procedures for accepting engagements to perform nonaudit services so that independence is not impaired with respect to entities they audit."

We recommend that Audit Services document (in the relevant files) its evaluation of whether nonaudit work creates an independence impairment and revise its policies and procedures to provide for a process for determining whether an engagement may impair independence. We believe this is

especially important given the significant portion of the office's work that is classified as nonaudit.

- The County Auditor and the Finance Director did not obtain continuing professional education hours during the period under review. GAS 3.46 requires that auditors "performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit or attestation engagement under GAGAS, should maintain their professional competence through continuing professional education (CPE)." GAS require 80 hours of CPE over a two-year period, including 24 hours directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.

We recommend that the County Auditor and the Finance Director obtain continuing professional education hours in accordance with GAS.

- Audit Services does not maintain a central file for documentation supporting earned continuing professional education. The GAO's "Guidance on GAGAS Requirements for Continuing Professional Education" states "The audit organization is responsible for maintaining documentation of the CPE hours completed by each auditor subject to the CPE requirements."


We recommend that Audit Services establish and maintain a central file for documentation that provides evidence of completed continuing education.

- One of the audit reports we reviewed was not addressed to anyone. GAS 8.05 states that one of the purposes of audit reports is to "communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials." Additionally, while the report included a response from the audited private entity, it did not include a response from the agency with oversight or governance authority for the contract under audit. GAS 8.32 includes the statement, "Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take."


We recommend that Audit Services address each audit report to the government official with governance and oversight authority for the audited function and also include a response from the appropriate government official (in addition to any other responses that may be included).

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,
Renata Khoshroo


City of San Jose, California
City Auditor's Office

Judith DeVilliers


Multnomah County
Auditor's Office

AUDITOR
Greg Kimsey



proud past, promising future

CLARK COUNTY
WASHINGTON

July 19, 2010

Ms. Renata Khoshroo
City Auditor's Office
City of San Jose
200 E Santa Clara Street
San Jose, California 95113

Dear Ms. Khoshroo,

We appreciate the peer review work performed over our auditing function for the period January 1, 2009 through June 30, 2010. We were pleased you found our internal quality control system was suitably designed and operated effectively to provide reasonable assurance of compliance with Government Auditing Standards. We are particularly pleased with this result since this is our first peer review.

We are also pleased that the peer review noted areas in which our staff and practices excel – we have encouraged staff to engage with county departments proactively. As you note, our work with internal controls and ethics training help to foster a culture in which these are valued.

We appreciate the review's recommendations to strengthen our internal quality control system and we will be addressing these in our planning and practices.

We understand the review's reference to GAS 3.46 (continuing education) and note that elected Auditors in the State of Washington have several responsibilities including: elections, general financial management, auto license functions, recording, and issuing marriage licenses.

We are committed to providing a variety of audit-related and non-audit services, including performance auditing. We welcome and appreciate this opportunity to improve our performance auditing processes and practices, and believe your comments and suggestions will help improve and refine them.

Thank you for the professionalism and insights you and your fellow auditor, Judith DeVilliers, provided in performing this peer review.

Sincerely,


Greg Kimsey
Clark County Auditor