
EXTERNAL
QUALITY
CONTROL REVIEW

of the
**Financial Reporting and Audits Division
of the Tulare County
Auditor-Controller**

Conducted in accordance with
**Government Auditing Standards
and the International Standards for the
Practice of Internal Auditing**
for the period July 1, 2013-June 30, 2016

November 17, 2016

Rita Woodard
Auditor Controller
Tulare County
221 South Mooney Boulevard, Room 101E

Dear Ms. Woodard:

I have completed a peer review of the Financial Reporting and Audits Division of the Tulare County Auditor-Controller, for the period July 1, 2013 through June 30, 2016. In conducting the review, I followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors.

I reviewed your audit organization's internal quality control system organization and conducted tests in order to determine whether the internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included:

- Reviewing the audit organization's written policies and procedures
- Reviewing internal monitoring procedures
- Reviewing a sample of agreed-upon procedures engagements
- Reviewing documents related to training and development of audit staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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 the review, it is my opinion that the Financial Reporting and Audits Division of the Tulare County Auditor-Controller's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for agreed-upon procedures engagements during the period July 1, 2013 through June 30, 2016.

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



Mike Edmonds
Certified Internal Auditor

November 17, 2016

Rita Woodard
Auditor Controller
Tulare County
221 South Mooney Boulevard, Room 101E

Dear Ms. Woodard:

I have completed a peer review of the Financial Reporting and Audits Division of the Tulare County Auditor-Controller for the period July 1, 2013 through June 30, 2016. In conducting the review, I followed the standards and guidelines contained in the Peer Review Guide for Assessing Conformance with the International Standards for the Professional Practice of Internal Auditing, published in July 2013, by the Association of Local Government Auditors.

I reviewed your audit organization's quality control system and conducted tests in order to determine if your quality control system operated to provide reasonable assurance of conformance with the International Standards for the Professional Practice of Internal Auditing (the Standards) issued by the Institute of Internal Auditors as part of their Professional Practices Framework. Due to variances in individual performance and judgment, conformance 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 my opinion that the Financial Reporting and Audits Division of the Tulare County Auditor-Controller's quality control system was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards for assurance engagements during the period July 1, 2013 through June 30, 2016.

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

A handwritten signature in black ink, appearing to read "Mike Edmonds". The signature is written in a cursive, flowing style.

Mike Edmonds
Certified Internal Auditor

November 17, 2016

Rita Woodard
Auditor Controller
Tulare County
221 South Mooney Boulevard, Room 101E

Dear Ms. Woodard:

I have completed a peer review of the Financial Reporting and Audits Division of the Tulare County Auditor-Controller (audit organization) for the period July 1, 2013 to June 30, 2106 and issued my report dated November 17, 2016. I am issuing this companion letter to offer certain observations and suggestions stemming from the peer review.

I would like to mention some of the areas in which I believe your audit organization excels:

- The Audit Committee and the Tulare County Board of Supervisors have approved an audit charter that defines the purpose, authority, and responsibility of the internal audit function, consistent with the requirements of the International Standards for the Professional Practice of Internal Auditing
- Audit documentation is thorough and well-organized, thus facilitating review of audit work
- Consideration of audit and fraud risks is well-documented in the working papers

I offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Generally Accepted Government Auditing Standards (GAGAS)* and the *International Standards for the Professional Practice of Internal Auditing (II Standards)*:

Independence

IIA Standards and the audit organization's charter requires the Chief Audit Executive to confirm the organizational independence of the audit organization, at least annually, to the Board or Audit Committee

The audit organization has not confirmed its independence, at least annually, with the Board or Audit Committee.

I recommend that the audit organization:

Confirm its organizational independence with the Board or Audit Committee, at least annually, in accordance with IIA Standards and its internal audit charter.

Quality Control and Assurance

IIA Standards require that the chief audit executive develop and maintain a quality assurance and improvement program. The quality assurance and improvement program must include both internal and external assessments. The internal assessments must include ongoing monitoring of the internal audit activity and periodic self-assessments by other persons within the organization with sufficient knowledge of internal auditing practices. A qualified, independent assessor or assessment team must conduct the external assessment at least once every five years. Furthermore, IIA Standards require that the results of the internal and external assessments be shared with the Board of Supervisors or the Audit Committee.

Similarly, GAGAS require each audit organization performing audits in accordance with standards to establish and maintain a system of quality control that is designed to provide reasonable assurance that the organization and its personnel comply with professional standards. GAGAS requires audit organizations to establish policies and procedures to monitor audit quality on an ongoing basis to provide management with reasonable assurance that its system of quality control is suitably designed and operating effectively to ensure compliance with professional standards. Furthermore, GAGAS requires audit organizations to analyze and summarize the results of monitoring process, at least annually, and to identify any systemic issues needing improvement, along with recommendations for corrective action. Finally, GAGAS requires audit organizations undergo an external quality control review every three years and the results of the review should be shared with those charged with governance.

The audit organization could improve its quality control processes. Although the audit organization has written quality control processes, it does not use a quality control checklist for individual engagements. Such a checklist would provide greater assurance that individual engagements are conducted in accordance with applicable standards. The audit organization has not conducted formal internal quality assessments and summarized the results of its monitoring efforts, at least annually. Finally, the audit organization has not shared the results of any quality control reviews with the audit committee.

I recommend that the audit organization:

Develop and use quality control checklists to ensure that individual engagements are conducted in accordance with applicable auditing standards. In addition, the audit organization should summarize the results of its monitoring of its internal quality control systems, at least annually, and identify any systemic issues needing improvement, along with recommendations for corrective action. Finally, the audit organization should report the results of its internal and external quality control reviews to the Board or Audit Committee.

Following-up on Audit Recommendations

IIA Standards require the chief audit executive to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The audit organization has not established a formal follow-up process to monitor management's progress in implementing audit recommendations and reporting out to senior management and the Audit Committee on the status of audit recommendations.

I recommend that the audit organization:

Develop and implement a formal process for monitoring management's progress in implementing audit recommendations and for periodically reporting out to senior management and to the Audit Committee on the status of audit recommendations.

A handwritten signature in black ink, appearing to read "Mike Edmonds". The signature is fluid and cursive, with the first name "Mike" and last name "Edmonds" clearly distinguishable.

Mike Edmonds
Certified Internal Auditor