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# External Quality Control Review

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of the  
Audit Services Division  
Auditor's Office  
Clark County, Washington

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**  
for the period July 1, 2013 through June 30, 2016

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## Association of Local Government Auditors

August 31, 2016

Mr. Greg Kimsey, County Auditor  
Mr. Larry Stafford, Audit Services Manager  
Audit Services Division  
Clark County Washington Auditor's Office  
1300 Franklin Street, Suite 591  
Vancouver, WA 98666-5000

Dear Messrs. Kimsey and Stafford:

We have completed a peer review of the Clark County Auditor's Office, Audit Services Division, Clark County Washington, for the period July 1, 2013 through June 30, 2016. 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 whether 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. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements, non-audits and other engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members 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 our review, it is our opinion that Clark County's 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 period July 1, 2013 through June 30, 2016.

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

Van Lee, MBA, CRMA, CICA  
Team Leader  
Deputy City Auditor  
Office of the City Auditor  
City and County of Honolulu, HI

Lee Parravano, CPA, CIA, CGMA  
Team Member  
Internal Auditor  
San Diego City Employees' Retirement System  
San Diego, CA



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August 31, 2016

Mr. Greg Kimsey, County Auditor  
Mr. Larry Stafford, Audit Services Manager  
Audit Services Division  
Clark County Auditor's Office  
1300 Franklin Street, Suite 591  
Vancouver, WA 98666-5000

Dear Messrs. Kimsey and Stafford:

We have completed a peer review of the Clark County Auditor's Office, Audit Services Division, Clark County, Washington for the period July 1, 2013 through June 30, 2016 and issued our report thereon dated September 1, 2016. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

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

- ❖ Audits are sharply focused, concise, and well-written, thereby contributing to the continued productivity and excellence of the office.
- ❖ The audit planning process through to the development of the Audit Plan is thorough, well-organized and thoughtfully executed which results in substantial, high quality audit reports.

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

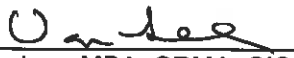
- ❖ GAS 3.02 states *that in all matters relating to audit work, the audit organization and individual auditor, whether government or public must be independent.* GAS 3.29 provides in part that *For external auditors or auditors who report both externally and internally, structural threats may be mitigated if the head of an audit organization ...a) is directly elected by voters of the jurisdiction being audited.* We found that while the Audit Services Division is under an elected Auditor, the Audit Services Division reports directly to the Finance Director, an appointed position, which is responsible for the hiring and firing of Audit Services staff and has review and oversight authority on audit engagements. We also found one engagement that audit evidence was provided by a staff member who is under the authority of the Finance Director. We believe that this intermediate oversight position creates a concern about the independence of the Audit Services Division and recommend that consideration be given to making the Audit Services Division accountable directly to the County Auditor.
- ❖ GAS 3.34 states *Before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit it performs.* We found that this was not done for services identified as nonaudit during the peer review period. We also found that the previous peer review team determined that these services should be considered other services and not nonaudit services and therefore should not be subject to the independence assessment. Since the last review, ALGA has refined the interpretation of nonaudit services, eliminating the other category so that engagements are either audits, nonaudits, or routine activities. Therefore, we recommend that for future nonaudit services the Audit Services Division should determine whether such a service would create a threat to independence. We note that in discussion with the Audit Services


Manager, this determination is now being completed. We recommend that this practice be continued for all future nonaudit services.

- ❖ GAS 3.78 states in part that *The audit organization should have quality control procedures to help ensure that auditors meet the continuing education requirements, including documentation of the CPE completed.* We found that the Audit Services Division has an effective CPE program and support structure but found discrepancies in the completeness and accuracy of the supporting documentation. We recommend that procedures be in place to ensure that supporting documentation and posting of CPE hours be completed and reviewed for each CPE activity.

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

Sincerely,

  
Van Lee, MBA, CRMA, CICA  
Team Leader  
Deputy City Auditor  
Office of the City Auditor  
City and County of Honolulu

  
Lee Parravano, CPA, CIA, CGMA  
Team Member  
Internal Auditor  
San Diego City Employees' Retirement  
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San Diego, CA



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**CLARK COUNTY**  
WASHINGTON

**AUDITOR**  
Greg Kimsey

August 31, 2016

Van Lee  
Deputy City Auditor  
Office of the Auditor  
City and County of Honolulu  
Kapolei, HI

Lee Parravano  
Internal Auditor  
San Diego City Employees' Retirement System  
San Diego, CA

Dear Mr. Lee and Mr. Parravano,

Thank you for your thorough review of the Audit Services Division of the Clark County Auditor's Office for July 2013 to June 2016. We are pleased you found our quality control system to be effective and that our work was conducted in full compliance with Generally Accepted Government Auditing Standards.

We appreciate that you identified areas where our office excels, including audits that are well-organized, thoughtfully executed, and result in substantial, high quality audit reports. These comments reflect our goals to be efficient in our work, improve Clark County government, and inform citizens.

We also appreciate your observations and suggestions to further enhance our adherence to Government Auditing Standards. We will evaluate our options to improve our independence with regards to organizational structure. We will also incorporate ALGA's new interpretation of engagement classification as audit, non-audit, or routine activity, and continue to assess our independence prior to engaging in these activities. In addition, we will update our procedures to ensure the accuracy of continuing education documentation.

Thank you both for taking the time to participate in this peer review. The insights you've shared will be valuable as we continue to find new ways to improve our operations.

Sincerely,

  
Greg Kimsey  
Clark County Auditor

  
Larry Stafford  
Audit Services Manager

