



**KING COUNTY**

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

**Signature Report**

**June 22, 2009**

**Motion 13016**

**Proposed No.** 2009-0383.1

**Sponsors** Constantine, Lambert, Hague,  
Gossett, Patterson, Dunn,  
Ferguson and von Reichbauer

1                   A MOTION relating to the executive audit committee and  
2                   directing the King County executive to reactivate or  
3                   reconstitute the committee.

4  
5                   WHEREAS, it is critical that each branch of county government maintain  
6                   appropriate oversight of operations and have strong internal controls that assure  
7                   compliance with laws, policies and procedures, and

8                   WHEREAS, effective April 1, 1996, the King County executive established an  
9                   executive audit committee through executive order FIN 15-1, and

10                  WHEREAS the purpose of the executive audit committee as stated in the  
11                  executive order is to provide the executive with an effective tool for "enhancing  
12                  accountability and stewardship over the use of public funds; supporting the internal  
13                  control environment; informing top management of critical issues that cross departmental  
14                  lines and have broad impacts; ensuring the County Executive's objectives are met in and  
15                  efficient and effective manner; ensuring appropriate action is taken on audit findings;  
16                  ensuring the independence of the internal audit function; serving as an avenue of

17 communication linking the County Executive, internal auditors, external auditors and the  
18 County's management team," and

19 WHEREAS, one function of the executive audit committee identified in the  
20 executive order is to work with the executive's internal auditor who coordinates with the  
21 King County auditor, federal and state agencies, and external auditors, and

22 WHEREAS, the executive order defines membership on the executive audit  
23 committee as including the deputy county executive, who serves as chair, the chief of  
24 staff, the director of the office of management and budget, the director of finance and  
25 three executive department directors selected by the deputy county executive, and

26 WHEREAS, the executive order requires the executive audit committee to hold  
27 regularly scheduled meetings at least four times per year with the ability to hold special  
28 meetings on an ad hoc basis, and

29 WHEREAS, in a February 13, 2007, audit report that surveyed internal controls,  
30 the King County auditor recommended "that the County Executive reactivate or  
31 reconstitute the Executive Audit Committee and develop a new policy to strengthen the  
32 county's internal control environment. The policy should include a process for  
33 developing guidelines and a self-assessment tool for internal controls incorporating best  
34 practices and current internal control frameworks.";

35 NOW, THEREFORE, BE IT MOVED by the Council of King County:

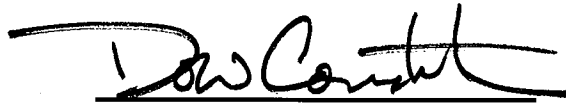
36 A. The executive is directed to reactivate or reconstitute the executive audit  
37 committee and to implement the King County auditor's 2007 recommendation on this  
38 matter.

39           B. The executive is further directed to modify executive order FIN 15-1 as  
40 appropriate to implement the policy direction contained in this motion or to issue a new  
41 executive order if needed to effect the policy direction.  
42

Motion 13016 was introduced on 6/22/2009 and passed by the Metropolitan King County Council on 6/22/2009, by the following vote:

Yes: 9 - Mr. Constantine, Mr. Ferguson, Ms. Hague, Ms. Lambert, Mr. von Reichbauer, Mr. Gossett, Mr. Phillips, Ms. Patterson and Mr. Dunn  
No: 0  
Excused: 0

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON



Dow Constantine, Chair

ATTEST:



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Anne Noris, Clerk of the Council

**Attachments**      A. Executive Order FIN 15-1

<http://www.metrokc.gov/recelec/archives/policies/fin151ae.htm>

**Title: King County Executive Audit Committee**

**Document Code No.:** FIN 15-1 (AEP)  
**Department/Issuing Agency:** King County Executive  
**Effective Date:** April 1, 1996  
**Approved:** /s/ Gary Locke  
**Type of Action:** New

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**1.0 SUBJECT TITLE: King County Executive Audit Committee**

**2.0 PURPOSE:**

2.1 To establish the King County Executive Audit Committee and set forth its authority, responsibilities, structure, relationships, and operating procedures.

**3.0 ORGANIZATIONS AFFECTED:**

All Executive branch departments, offices and agencies.

**4.0 REFERENCES:**

[Refer to Executive Order establishing Executive Audit Services]

**5.0 DEFINITIONS:**

5.1 The "King County Executive Audit Committee" (KCEAC or the Audit Committee) refers to the body established by the King County Executive to assist the County Executive in fulfilling his/her oversight responsibilities by reviewing the adequacy and effectiveness of the County's system of internal control and the accomplishment of established goals and objectives for operations and programs. The KCEAC shall possess an appropriate degree of management, technical and other expertise so that it can adequately perform the necessary governance, guidance and oversight responsibilities that are critical to internal control.

5.2 "Internal Control" refers to the business process designed and executed by management and staff, to provide reasonable assurance that the following organizational objectives are met:

- \* reliability and integrity of information,
- \* effectiveness and efficiency of operations, and

\* compliance with applicable policies, procedures, laws and regulations.

The first category addresses the preparation of reliable published financial statements including interim and condensed statements, such as bond offering circulars. The second relates to the basic business objectives including accomplishment of performance goals and safeguarding of resources. The third relates to compliance with federal, state, and local laws and regulations to which the County is subject.

5.3 "Executive Audit Services" (EAS) refers to the Executive Branch internal audit function established by County Executive Order No. XXXX, dated xx/xx/xx. EAS is also referred to herein as the Internal Auditor.

Executive Audit Services is responsible for providing objective information on the operations of the Executive Branch's programs, assisting directors and managers in carrying out their responsibilities, and ensuring accountability to the King County Executive. EAS evaluates management, financial and operational processes to determine whether reasonable assurance exists that the County Executive's goals and objectives will be achieved. All King County Executive branch departments, offices, agencies, systems, processes, operations, functions, policies and activities are subject to review by Executive Audit Services.

EAS is a division of the Office of Budget and Strategic Planning and the EAS Manager reports to the Director of the Office of Budget and Strategic Planning.

5.4 "External Auditors" refers to the external auditors who routinely, or under special circumstances, conduct audits or reviews at King County. The State Auditor's Office conducts an annual examination of the financial statements in conjunction with its federal A-128 audit of the County. Regulatory auditors conduct program and grant audits and reviews (e.g., FTA, USDOT, WSDOT, EPA, inspectors general), and other consultants conduct special audits and/or reviews.

5.5 "County Auditor" refers to the Legislative Branch's auditor as established by the County Charter with general responsibility for assisting the County Council in its oversight function.

## **6.0 POLICIES:**

6.1 It is the policy of the King County Executive to establish and maintain an audit committee known as the King County Executive Audit Committee.

6.2 The purpose of the Committee is to provide the King County Executive with an effective tool for:

- \* Enhancing accountability and stewardship over the use of public funds,
- \* Supporting the internal control environment,
- \* Informing top management of critical issues that cross departmental lines and have broad impacts,
- \* Ensuring the County Executive's objectives are met in an efficient and effective manner,
- \* Ensuring appropriate action is taken on audit findings,
- \* Ensuring the independence of the internal audit function, and
- \* Serving as an avenue of communication linking the County Executive, internal auditors, external auditors and the County's management team.

6.3 The primary responsibility for ensuring the reliability and integrity of business and financial reporting; efficiency, effectiveness, and economy of operations; internal control; and compliance with applicable laws and regulations rests with the King County Executive.

Executive management is responsible for establishing and maintaining an effective internal control system to ensure that appropriate goals and objectives are met; resources are safeguarded; laws and regulations are followed; and reliable data is obtained, maintained, and fairly disclosed.

6.4 The primary responsibility of the Audit Committee is to assist the County Executive in fulfilling oversight responsibilities as described in 6.3 above.

The Committee serves in a unique capacity as an important link in determining whether management decisions are consistent with the County's internal control structure.

6.5 The Audit Committee is a committee of the County Executive whose members are:

- \* Deputy County Executive (chair),
- \* Chief of Staff,

\* Director of Budget and Strategic Planning,

\* Director of Finance,

\* three Executive Department directors selected by the Deputy County Executive.

6.6 The Committee will hold regularly scheduled meetings at least four times per year and may call special meetings on an ad hoc basis. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. The Manager of EAS will serve as facilitator of the Committee.

6.7 The Committee will review and update the Committee's charter annually.

6.8 The Committee will report committee actions to the County Executive with recommendations as the Committee may deem appropriate.

6.9 The Committee will perform other duties as assigned by law, policy, procedure or the County Executive.

6.10 The function of the King County Executive Audit Committee will include the following:

6.10.1 Inquire of management, the Manager of EAS and the external auditors about significant risks or exposures and assessing the steps management has taken to minimize such risk to the County.

6.10.2 Review legal and regulatory matters that may have a material impact on the financial statements and related County policies.

6.10.3 Review the County code of ethics, the method of monitoring compliance with the code, and the disposition of reported exceptions.

6.10.4 Confirm and ensure the independence of the Internal Auditor. The organization and administration of EAS shall be sufficiently independent to ensure that no internal interference or influence inhibits or adversely affects the independent and objective judgment of the Internal Auditor. The EAS staff has no authority over, or responsibility for, the activities they audit.

6.10.5 Ensure that all employees of the County are informed that they are required to cooperate fully with EAS and to furnish information and records within their custody as may be requested for audit purposes.

6.10.6 Evaluate whether King County has adopted effective policies and procedures resulting in an environment which provides reasonable assurances that the internal control system will achieve its objectives.

6.10.7 Review the annual work plan of EAS and revising the plan as they deem necessary. Recommending the annual work plan to the County Executive for his approval.

6.10.8 Review the coordination of the audit effort between EAS, Federal and State agencies, external auditors and the County Auditor to ensure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

6.10.9 Review and discuss reports prepared by EAS, Federal and State agencies, external auditors and the County Auditor. Reviewing the responses to these audit reports for the King County Executive.

6.10.10 Monitor the status of management's implementation of corrective actions taken in response to findings and recommendations made by EAS, County Auditor, and external auditors. The Committee shall consider their Countywide implications.

6.10.11 Provide directives to management dealing with specific actions needed to improve internal controls, financial reporting, compliance, and the operations of the departments.

6.10.12 Request special audits or reviews.

6.11 The Audit Committee is assigned the following responsibilities relating to the Internal Auditor/EAS:

6.11.1 Consider and discuss with management and the Manager of EAS:

(a) Significant findings during the year and management's responses thereto.



(b) Any difficulties encountered in the course of their audits including any restrictions on the scope of their work or access to required information.

(c) Any change required in the EAS annual work plan, including changes initiated by EAS.

(d) Executive Audit Services budget and staffing.

(e) Executive Audit Services charter.

(f) Executive Audit Services' compliance with **The Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.**

6.11.2 Evaluate the effectiveness of the EAS function and reviewing all significant matters reported by EAS including the action taken by management relative to reported matters.

6.11.3 Review and concur in the appointment, replacement, reassignment or dismissal of the Manager of EAS to safeguard that independence is maintained.

6.11.4 Ensure a quality assurance review of the audit activities of Executive Audit Services is completed at least once every three years by an independent, professional, peer group using nationally recognized government standards. The purpose of the peer review is to determine compliance with The Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing and Government Auditing Standards of the Comptroller General of the United States General Accounting Office. A copy of the written report of this review shall be furnished to the KCEAC for their review.

## **7.0 PROCEDURES:**

N/A.

## **8.0 RESPONSIBILITIES:**

8.1 The King County Executive Audit Committee is responsible for providing the King County Executive with an effective tool for:

- \* Enhancing accountability and stewardship over the use of public funds,

- \* Supporting the internal control environment,

- \* Informing top management of critical issues that cross departmental lines and have broad impacts,
- \* Ensuring the County Executive's objectives are met in an efficient and effective manner,
- \* Ensuring appropriate action is taken on audit findings,
- \* Ensuring the independence of the internal audit function, and
- \* Serving as an avenue of communication linking the County Executive, internal auditors, external auditors and the County's management team.

## **9.0 APPENDICES:**

9.1 The Institute of Internal Auditors **Standards for the Professional Practice of Internal Auditing**

9.2 The Institute of Internal Auditors Research Foundation, **Improving Audit Committee Performance: What Works Best**, 1993.

9.3 Comptroller General of the United States, **Government Auditing Standards**, 1994 Revision.

9.4 King County Auditor's Office, **Procedural Guidelines and Policy Guidelines**, 1993.

9.5 Committee of Sponsoring Organizations of the Treadway Commission (COSO).