



Legislation Text

File #: 2005-0308, **Version:** 1

Clerk 07/07/2005

AN ORDINANCE relating to performance audits of King County government; updating provisions pertaining to the administration of the county audit office; amending Ordinance 8264, Section 1, and K.C.C. 2.20.005, Ordinance 8264, Section 3, and K.C.C. 2.20.015, Ordinance 394, Section 2, and K.C.C. 2.20.020, Ordinance 8264, Section 4, and K.C.C. 2.20.035, Ordinance 1565, Section 1, and K.C.C. 2.20.040, Ordinance 8264, Section 5, and K.C.C. 2.20.045, Ordinance 394, Section 5, as amended, and K.C.C. 2.20.050, Ordinance 1565, Section 2, and K.C.C. 2.20.060 and Ordinance 1565, Section 4, and K.C.C. 2.20.080, adding new sections to K.C.C. chapter 2.20 and repealing Ordinance 1565, Section 2, and K.C.C. 2.20.060.

PREAMBLE:

The establishment of the charter form of government for King County designated the office of King County auditor as a position appointed by the King County council assigned to perform internal audits and studies.

K.C.C. 2.20.005 establishes an audit office within the legislative branch with the responsibility for assisting the county council in its oversight function through the conduct of financial and management audits.

The citizens of King County and the media have expressed interest in county government being more accountable for its performance, integrity and wise use of taxpayer dollars.

The county council has become increasingly interested in evaluating the performance of county departments and agencies.

Performance audits offer an objective, quantitative and qualitative means to evaluate the performance of county government.

The United States Government Accountability Office has promulgated generally accepted government performance auditing standards.

Performance audits often identify significant efficiency savings opportunities which, if implemented, can save county taxpayers money.

Performance audit findings, results and recommendations shall be made available to the public so that the public may better hold accountable their county officials.

The state of Washington auditor has the authority to conduct independent, comprehensive performance audits of state government.

Increasing the scope of authority for the county auditor to conduct performance audits of county government which comply with generally accepted government performance auditing standards and are publicly available will increase the accountability, efficiency and effectiveness of county government.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. Ordinance 8264, Section 1, and K.C.C. 2.20.005 are each hereby amended to read as follows:

There is hereby established within the legislative branch, pursuant to Section 250 of the King County charter, the county audit office. The organization and administration of the audit office shall be sufficiently independent to assure that no interference or influence external to the office shall adversely affect an independent and objective judgment by the auditor. The office shall be generally responsible for assisting the county council in its oversight function through the conduct of performance and financial (~~(and management)~~)

audits and special studies of county agencies under the directorship of the county auditor. The office shall be provided a discrete budget and staffing allowance.

SECTION 2. Ordinance 8264, Section 3, and K.C.C. 2.20.015 are each hereby amended to read as follows:

A. The selection process shall include at a minimum the following:

1. Review and update of the auditor's job classification description~~((-))~~, if necessary;
2. Advertise ~~((regionally))~~ the availability of the position~~((-))~~;
3. Establishment of an ad hoc auditor screening committee responsible for the screening and preliminary interviewing of candidates~~((-))~~; and
4. Final interview and selection of appointee by the council.

B. The auditor screening committee shall be composed of five members appointed by the council and selected as follows:

1. Two members from ~~((either))~~ a private sector firm or ~~((other government agency))~~ a nonprofit organization with experience in ((accounting and financial management operations, preferably)) performance auditing or program evaluation, and may include certified public accountants((-)) with a financial auditing background;
2. Two members from ~~((either private sector or non-profit organizations with executive))~~ government agencies with experience ((and a background in program evaluation.)) in performance auditing or program evaluation;
3. One member who is a non-elected, nonpartisan member of the legislative branch; and
4. At least two out of the five members of the screening committee shall have management and supervisory experience, at least two out of the five members shall have governmental performance auditing experience and one shall have governmental financial management experience.

C. The screening committee shall screen, interview and score applicants for the auditor position,

making a slate of the top ((five)) ranking candidates for the council's consideration. At the council's discretion, ((F))the committee ((shall)) may also be formed to make recommendations to the council on any decision to reappoint the auditor.

SECTION 3. Ordinance 394, Section 2, and K.C.C. 2.20.020 are each hereby amended to read as follows:

The auditor selected shall be a person able to analyze problems of ~~((fiscal controls, management and))~~ performance, program operations, financial management and administration, internal controls and public policy and shall not be actively involved in partisan affairs.

SECTION 4. Ordinance 8264, Section 4, and K.C.C. 2.20.035 are each hereby amended as follows:

The auditor, as a minimum, shall be responsible for performing the following types of audits:

~~((A. Financial and compliance audits – to determine whether financial operations are being properly conducted, whether the financial reports of the audited agency are presented fairly, and whether the agency has complied with the applicable laws and regulations. These audits shall be used to supplement the financial and compliance audits conducted by the state pursuant to statute.~~

~~B. Economy and efficiency audits – to determine whether the agency is managing or utilizing its resources in an economical and efficient manner, and the causes of any inefficiencies or uneconomical practices.~~

~~C. Program results audits – to determine whether the desired results or benefits are being achieved, whether the objectives established by the council are being met, and whether the agency has considered alternatives which might yield desired results at a lower cost.~~

~~D. Special studies – essentially informally conducted audits used to evaluate program effectiveness or efficiency under specific circumstances or when directed by the council.))~~

A. Performance audits, which are an independent assessment of the performance of an agency or program based on objective criteria including best practices. It may evaluate an agency's or program's

efficiency, effectiveness, economy, management controls or compliance with legislative intent and agency or program objectives;

B. Financial audits, which may include determining whether financial information is properly presented, internal controls for financial data are adequate, assets are safeguarded and financial compliance requirements are met; and

C. Special studies, which may encompass oversight, monitoring, cost-benefit analyses or other reviews with a unique scope, and may also include evaluation of program efficiency or effectiveness.

SECTION 5. Ordinance 1565, Section 1, and K.C.C. 2.20.040 are each hereby amended as follows:

~~((The county auditor shall perform the following functions and be charged with the following responsibilities for the council. Council review and control of county administration consists of all methods and procedures used by that legislative body to secure faithful, efficient and effective administration of county programs. The following summary of objectives shall be the audit functions:~~

~~A. To determine the extent to which legislative policies are being faithfully, efficiently and effectively implemented by administrative officials. From this oversight process, there may be developed information necessary for the council to take corrective action with respect to administration or to revise legislative policies if they are found to be inappropriate or inadequate;~~

~~B. To determine whether county programs are achieving their desired objectives. This step may provide information on the need for changing, deleting or modifying programs or program elements through additional legislation;~~

~~C. To review both the administrative control and executive control systems as established by the agency or department heads and by the county executive respectively, and to determine that such control systems are adequate and effective in accomplishing their objectives. Through the review of the control systems the council will be better able to judge whether an agency is organized and administered in such a way as to be able to competently carry out its responsibility;~~

~~D. To hold accountable county officials in their use of public funds and other resources at their disposal. This includes examination of financial statements and the legality and prudence of expenditures; the efficient use of all resources including the elimination of wasteful practices; and the satisfactory implementation of programs;~~

~~E. To investigate whether or not laws are being administered in the public interest, to determine if there have been abuses of discretion, arbitrary actions, or errors of judgment; and to encourage diligence on the part of administrative officials;~~

~~F. To submit reports to the council resulting from periodical post audits of each department or account. The auditor shall have access to the books and accounts of all county departments, officials or employees charged with the receipt, custody or safekeeping of public funds;~~

~~G. To give information to the county council whenever required upon any subject relating to the financial affairs of the county;~~

~~H. To make periodic reports to the council which shall include and not be limited to the following:~~

~~1. To determine whether departments, officials and employees, in making expenditures, have complied with the will of the council, state laws and the State Constitution;~~

~~2. To give information of proposals as he deems expedient in support of the county's credit, as well as make recommendation for lessening expenditures, for promoting frugality and economy in county affairs and for an improved level of fiscal management;~~

~~3. To report matters concerning the effectiveness and efficiency of the programs and operation of the county;~~

~~4. To be empowered to take exception to improper specific expenditures incurred by any department or person;~~

~~5. To promptly report any irregularities to the county council;~~

~~I. To examine and inspect all books, records, files, papers, documents and information stored on~~

~~computer records relating to all financial affairs of every office and department, political subdivision and organization which receive appropriations from the county. The auditor, subject to council approval, may require any person to appear before him at any time when given proper notification to produce any accounts, books, records, files and papers but not including personal papers in the possession or control of such person as shall appear to be unnecessary for the purpose of the examination and not kept as a part of his public responsibilities. If such person fails to produce the aforementioned papers, then the auditor, subject to council approval, may cause a search to be made and exhibits to be taken from any book, paper or record in the custody of any such person or public official without paying any fee except for reproduction costs; and every office having the custody of such books, records, files, papers and documents shall make a search and forward such exhibits as heretofore requested.))~~

A. The county auditor shall conduct performance audits, financial audits and special studies at the request of the county council. In the course of performing this work, the auditor shall have full and unrestricted access to and authority to examine any and all property and records contained in any form that are related to the financial and operational matters of any department, agency, program or other entity that receives appropriations or funding of any type from the county.

B. Officers and employees of any organization under review by the auditor shall furnish or provide access to requested records or property to enable the auditor to conduct the audit or otherwise perform audit duties. If the officers and employees fail to produce or provide access to the records or property, the auditor, upon approval by the council, may issue a subpoena compelling access. All records requested by the auditor shall be provided without charge.

C. The auditor shall have full access to officers and employees who may have custody of or access to records or property and to question them regarding their knowledge of the financial and operational matters under review. Those persons shall fully cooperate with the auditor and make full disclosure of all pertinent information. If they refuse to provide the requested information, the auditor may summon them to appear

before the auditor and question them, under an oath administered by the auditor, concerning the financial and operational matters under review.

D. The county auditor also may perform the following functions:

1. To determine if legislative laws, policies and regulations are being faithfully, efficiently and effectively implemented by county officials;
2. To determine whether county agencies or programs are achieving their desired results;
3. To review both the management and accounting control systems to determine whether the systems are adequate and effective in accomplishing their objectives;
4. To hold accountable county officials in their use of public funds and other resources at their disposal;
5. To determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and be alert for indications of fraudulent behavior;
6. To determine if financial or other reports disclose fairly and fully all information required by law that is necessary to ascertain the nature and scope of programs and activities and to evaluate program activities;
7. To submit reports to the council resulting from performance or financial audits or special studies;
8. To give information to the county council when requested upon any subject relating to the financial affairs, operations, or performance of the county; and
9. To encourage due diligence by county officials.

NEW SECTION SECTION 6. There is hereby added to K.C.C. chapter 2.20 a new section to read as follows:

Audit standards and quality assurance.

A. Performance audits and financial audits performed under this chapter shall follow applicable generally accepted government auditing standards as promulgated by the United States Government Accountability Office and other applicable professional standards. Follow-up studies and special studies

performed under this chapter shall follow the general standards section of those standards, with the type and extent of the internal quality review to be based on what is most appropriate for the project. All other types of studies performed under this chapter shall employ those audit standards and policies and procedures considered to be necessary and relevant to the type of study being conducted, in order to ensure professional objectivity, thoroughness and quality.

B. The auditor's office shall undergo an external quality control peer review every three years as prescribed in the government auditing standards.

SECTION 7. Ordinance 8264, Section 5, and K.C.C. 2.20.045 are each hereby amended as follows:

A. The council shall review and approve annually by motion a work program prepared by the auditor for the auditor's office. The work program shall include the various types of performance and other audits and any recommended special studies to be conducted and managed by the auditor. It shall also include any objective, independent analytical ((staff)) oversight work directed by the council ((which)) that would fall outside of the regular definition of an audit or special study.

B. The council may amend by motion the approved annual work plan to meet special circumstances as they may arise. However, no council-initiated change to the work plan shall be made that adversely affects an audit or study in progress without the recommendation of the auditor.

C. If the auditor determines that there is serious concern regarding fraud, abuse or illegality, or that the scope of an audit or study in progress should be expanded as the result of any findings, the auditor ((is authorized to)) may initiate spontaneously and conduct, or expand the scope of, an audit beyond that approved in the work program. The auditor shall notify the council of the change.

SECTION 8. Ordinance 394, Section 5, as amended, and K.C.C. 2.20.050 are each hereby amended as follows:

~~((A. The audit will be designed to define the performance of the agency in accordance with council and executive policy.~~

~~B. The audit will result in all cases in a written report. The report will detail those findings which are positive or negative observations concerning the agency's performance. The county executive and the county administrative officer will review the preliminary draft to amplify or clarify various issues and to offer additional recommendations. Matters of evaluation of performance other than these will not be the subject of preliminary review.~~

~~C. With technical changes incorporated, the audit report is to be finalized and sent to the agency, and/or the county executive for review. Two weeks after receiving the audit, the subject agency will be required to send a written reply to the auditor, detailing:~~

~~1. Disagreement with the findings which might explain agency action that is apparently inconsistent with policy;~~

~~2. Agency action which will be taken to correct deficiencies cited. In this regard, the agency will establish commitments in terms of dates by which changes will be incorporated.~~

~~D. Fourteen calendar days after delivering the report to the agency, the auditor shall release the report to the county council members for their review. If no agency response is included, the auditor will note this and the reason, if known.~~

~~E. The council shall designate a committee to receive and review all audits and special studies. That committee shall also be charged with providing on-going oversight for the performance of the office including the development of the work program.~~

~~F. After the release of the audit to the council, the auditor will file a copy as matter of public record with the records and elections division.))~~

A. Results of completed audits shall be communicated by the auditor in a written report, which may include either a formal written audit report or a management letter.

B. The report shall identify operational, managerial, financial, performance and policy matters that need to be addressed by county officials and management.

C. The auditor shall provide a draft of the audit for technical review of factual content by the director or other official who has authority over the department, agency or program under review.

D. With technical changes incorporated, the auditor shall transmit a proposed final report to the agency. The elected official presiding over the agency shall provide a formal written response to the auditor within fourteen calendar days after receipt of the proposed final audit report. The written response shall indicate:

1. Concurrence, partial concurrence or nonconcurrence with audit recommendations, including any explanation of why full concurrence may not be feasible; and

2. Actions that will be taken to implement the recommendations and to correct deficiencies cited. The agency shall also establish a timeline for implementing the audit recommendations or alternate corrective actions.

E. The final audit report shall include the formal agency response. The auditor may add comments to the final audit report based on the nature of the agency response. If an agency response is not transmitted to the auditor, the auditor shall note this and the reason, if known. The auditor's office shall present the final report to the council or a designated council committee within thirty calendar days of completing the final report. If a presentation is not scheduled within that thirty-day period, the auditor's office, at the auditor's discretion, shall publish the final audit report.

F. The council shall designate a committee to receive and review all audits and special studies. That committee shall also be charged with providing on-going oversight for the performance of the office including the development of the work program.

G. After the release of the audit to the council, the auditor shall file a copy as matter of public record with the records, elections and licensing services division of the department of executive services.

NEW SECTION SECTION 9. There is hereby added to K.C.C. chapter 2.20 a new section to read as follows:

Performance measurement and reporting. The county auditor may provide oversight, including

technical assistance, to county departments, agencies and programs in the development and reporting of strategic plans, business plans, performance measures and other performance improvement efforts as directed by the council.

SECTION 10. Ordinance 1565, Section 2, and K.C.C. 2.20.060 are each repealed.

SECTION 11. Ordinance 1565, Section 4, and K.C.C. 2.20.080 are each hereby amended as follows:

The auditor, with consultation of the council, may employ staff assistants, clerical

personnel or use services of public accounting firms or consultants as may be necessary for conduct of ~~((his))~~
the auditor's office.