

Bill No. 18-12

Concerning: Interagency Internal Audit Authority



Introduced: March 6, 2018

Revised: _____ Draft No. _____

Enacted: _____

Executive: _____

Effective: _____

Frederick County Code, Chapter 1-2, Section(s) 131

COUNTY COUNCIL FOR FREDERICK COUNTY, MARYLAND

By: Council President Bud Otis

AN ACT to: Reflect the Frederick County, Maryland Interagency Internal Audit Authority within the Frederick County Code.

By adding: Frederick County Code, Chapter 1-2, Section(s) 131 through 138 and reserving Chapter 1-2, Sections 127 through 130 and Chapter 1-2, Sections 139 through 140.

Boldface

Underlining

[Single boldface brackets]

Double underlining

[[Double boldface brackets]]

* * *

Heading or defined term.

Added to existing law by original bill.

Deleted from existing law by original bill.

Added by amendment.

Deleted from existing law or the bill by amendment.

Existing law unaffected by bill.

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County Interagency Internal Audit Authority has been in existence since 1978, finds it necessary and appropriate to reflect in the Frederick County Code the existence of and requirements for such Interagency Internal Audit Authority.

NOW, THEREFORE, BE IT ENACTED, that the Frederick County Code be, and it is hereby, amended as shown on the attached Exhibit 1.

Harold F. (Bud) Otis, President
County Council of Frederick County, Maryland

ARTICLE X: INTERAGENCY INTERNAL AUDIT AUTHORITY

§§ 1-2-127 – 1-2-130. RESERVED.

§1-2-131. ESTABLISHMENT.

The Frederick County Interagency Internal Audit Authority (“IIA”) is hereby established.

§1-2-132. PURPOSE.

The IIA shall plan, coordinate, direct and supervise the establishment and operation of an internal audit staff to provide Frederick County, Maryland, the Board of Education, and the Frederick Community College Board of Trustees with a review and appraisal of their operations. The IIA shall act as an advisory body on the internal auditing needs and services to Frederick County, Maryland.

§1-2-133. REPORTING RESPONSIBILITIES.

The IIA shall establish a reporting procedure that maintains the independence of its audit staff from the functions and organizations that it reviews and evaluates.

§1-2-134. SCOPE OF ASSIGNMENTS.

Assignments may be conducted in the form of audits or non-attest services, as defined by Government Auditing Standards. Audits shall be conducted in accordance with Government Auditing Standards. Financial and performance audits as well as non-attest services are defined below:

- (A) Financial Audits.

Underlining indicates matter added to existing law.
[Single boldface brackets] indicates matter deleted from existing law.
*** - indicates existing law unaffected by bill.

(1) Financial statement audits provide reasonable assurance as to whether financial statements are fairly presented in accordance with generally accepted accounting principles or other prescribed basis of accounting. Financial audits conducted by the IIAA shall be internally based financial audits, not to include the external financial audits conducted annually as regulated by state, local and federal government guidelines.

(2) Financial related audits involve determining whether

(a) financial information is presented in accordance with certain criteria,

(b) the entity has adhered to specific financial compliance requirements, or

(c) the entity's internal control structure over financial reporting and the safeguarding of assets is suitably designed and implemented to achieve control objectives.

(B) Performance Audits.

(1) Economy and efficiency audits include determining

(a) whether the entity is acquiring, protecting and using its resources economically and efficiently,

(b) the causes of inefficiencies or uneconomical practices, and

(c) whether the entity has complied with laws and regulations relating to economy and efficiency.

(2) Program audits determine

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(a) the extent to which the desired results or benefits established by the authorizing body are being achieved,

(b) the effectiveness of organizations, programs, activities or functions, and

(c) whether the entity has complied with significant laws and regulations applicable to the program.

(C) Non-attest Services.

(1) Non-attest services, providing a value added service, include services such as audit follow-up procedures, special projects, investigations or analysis as requested. Non-attest services are not subject to *Government Auditing Standards* and are to be reported in memorandum format.

§1-2-135. MEMBERSHIP, MEETINGS, AND ORGANIZATION.

(A) The IIAA shall be composed of seven members:

(1) a member of the Board of Education,

(2) a member of the Frederick Community College Board of Trustees,

(3) a member of the Frederick County Council,

(4) four members of the public.

(B) The members of the public:

(1) shall possess expertise in accounting, auditing and internal control,

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(2) must be nominated by the IIAA and appointed by the Frederick County Council,

(3) serve four-year terms commencing on a staggered basis,

(4) are eligible to serve two consecutive four-year terms and are subsequently eligible for reappointment if at least one year has elapsed since the end of their last term, and

(5) if appointed to a partial term, are eligible to serve two additional consecutive terms.

(C) The Board of Education, the Community College Board of Trustees and the County Council shall each appoint a member to the IIAA who shall serve at the pleasure of the nominating body.

(D) The IIAA shall meet at least four times during each fiscal year; additional meetings may be held as the IIAA deems necessary.

(1) Minutes shall be kept and reflect topics of discussion as well as all decisions and recommendations.

(2) All meetings shall be open to the general public unless held in closed session as permitted by Maryland's Open Meeting Act.

(3) A majority of the members of the Authority constitutes a quorum to transact business.

(4) If a quorum is present, the IIAA may act on any matter that is within its jurisdiction by a majority vote of the members present.

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(E) The IIAA shall elect a chairman and vice-chairman yearly. Election of these two officials shall be held each April or at the first meeting held thereafter.

§ 1-2-136. BUDGETS AND PERSONNEL.

(A) Budgets. The IIAA shall prepare an annual budget request to be submitted to the Frederick County Executive under the County's budgeting procedures.

(B) Director. The IIAA shall be responsible for the employment and discharge of the internal audit division Director position (the Director) within the limitation of its approved budget. The Director shall serve at the pleasure of the IIAA. A majority vote of all IIAA members is required to hire or to terminate the Director. The IIAA chairman, the vice chairman or a majority of the IIAA members may schedule a special meeting to consider the hiring or termination of the Director. Each IIAA member must be provided notice of a special meeting. IIAA members may participate in such special meeting by telephone. The IIAA shall recommend the salary of the Director, within the limitation of its approved budget. All employment actions should adhere to the County's Human Resources' policies and guidelines. The Director may not vote on a question or issue before the IIAA. In the absence of a Director, an acting Director may be appointed by the IIAA under the same guidelines as for appointing a Director.

(C) Personnel. The Director may employ such personnel as believed necessary to fulfill IIAA functions. All employment actions must adhere to the County's Human Resources' policies and guidelines. The Director shall recommend the internal audit division staff salaries, within the limitations of the IIAA's approved budget. The Director shall inform the IIAA of

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employment actions taken by the Director. The IAA shall be responsible for hearing and determining all IAA employee grievances and appeals.

§ 1-2-137. ANNUAL WORK PLAN.

Annually, the Director shall submit to the IAA a strategic plan outlining the major risk areas within Frederick County government, Frederick County Public Schools and Frederick Community College and a five-year plan to provide coverage of those areas. In addition, prior to the beginning of each fiscal year, the Director shall present to the IAA for approval, a detailed work plan reflecting each project planned for the year and the corresponding budgeted hours.

§ 1-2-138. EXTERNAL QUALITY CONTROL REVIEW.

If required under *Governmental Auditing Standards*, IAA's audit activities shall be subject to a quality control review at least once every three years by an organization not affiliated with any agency or function of Frederick County, Maryland, Frederick County Board of Education or Frederick Community College. Quality control reviews shall be conducted utilizing guidelines endorsed by the National Association of Local Government Auditors or the General Accounting Office and shall determine whether an adequate internal quality control system is in place and is operating effectively to provide for compliance with *Government Auditing Standards*.

§§ 1-2-139 – 1-2-140. RESERVED.

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