



# External Quality Control Review

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of the  
Frederick County, Maryland  
Internal Audit Division

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**

for the period January 1, 2005, through December 31, 2007

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## Association of Local Government Auditors

May 1, 2008

Richard A. Kaplan, Director  
Frederick County, Internal Audit Division  
8 East Second Street, Suite 130  
Frederick, MD 21701


Dear Mr. Kaplan:

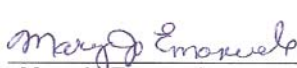
We have completed a peer review of the Frederick County, Internal Audit Division for the period January 1, 2005 through December 31, 2007. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide*, published in May 2004 by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit department and conducted tests in order to determine if 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. 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 the Frederick County, Internal Audit 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 January 1, 2005 through December 31, 2007.

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

  
Gary S. Chapman  
CIA, CGAP, CFE  
Internal Audit Department  
City of Tampa, Florida

  
Mary Jo Emanuele  
CIA, CGFM  
City Auditor's Office  
Kansas City, Missouri

  
A.J. Hartsock  
Controller's Office  
Lehigh County,  
Pennsylvania



## Association of Local Government Auditors

May 1, 2008

Richard A. Kaplan, Director  
Frederick County, Internal Audit Division  
8 East Second Street, Suite 130  
Frederick, MD 21701

Dear Mr. Kaplan:

We have completed a peer review of the Frederick County, Internal Audit Division for the period January 1, 2005 through December 31, 2007 and issued our report thereon dated May 1, 2008. 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:

- The Division employs competent and qualified staff and its recent hiring decisions compliment existing staff and should enhance the future effectiveness of the organization.
- Audit reports are concise and well-written.
- Planning procedures are comprehensive and ensure audit procedures are designed to address the control risks identified during the preliminary survey.
- The new Audit Director has proactively identified quality control system weaknesses and implemented necessary corrective actions.

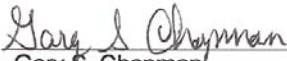
We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards:

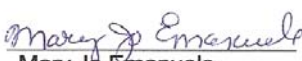
- GAGAS 7.44 and 3.50 state that staff members are to be properly supervised and the organization's internal quality control system should include procedures for monitoring whether policies and procedures are being effectively applied. The Division's Audit Manual, Section 400 B requires supervision of the auditors. The Audit Manual, Section 300 D, states that as part of the internal quality control system, the director will complete a "Review of Audit Engagement" form for each audit engagement.

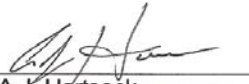
Two of the ten engagements reviewed contained no evidence of supervision and the "Review of Audit Engagement" form was not completed. Inadequate supervision could adversely affect the accuracy and quality of audit reports. We believe that management has already addressed these issues and there is no need for peer review recommendations. The Division's new operating procedures for ensuring timely supervisory reviews, documenting supervisory reviews, cross-indexing, and independent referencing should enhance audit quality.

- GAGAS 5.16 and 8.17 state that when a management letter is issued it needs to be referred to in the audit report. The Division's Audit Manual does not contain procedures for issuing management letters. We recommend revising your Audit Manual to include procedures for issuing management letters.
- GAGAS 8.54 states that unless the report is restricted by law or regulation, or contains privileged or confidential information, auditors should clarify that copies are made available for public inspection. While the Division's Audit Manual states that the audit reports are generally public information, it does not describe the process for making audits available to the public. We recommend revising your Audit Manual to include procedures for making audits available to the public.

We appreciate the cooperation of the management and staff of Frederick County, Internal Audit Division.

  
Gary S. Chapman  
CIA, CGAP, CFE  
Internal Audit Department  
City of Tampa, Florida

  
Mary Jo Emanuele  
CIA, CGFM  
City Auditor's Office  
Kansas City, Missouri

  
A.J. Hartsock  
Controller's Office  
Lehigh County,  
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Richard A. Kaplan



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## **INTERAGENCY INTERNAL AUDIT AUTHORITY INTERNAL AUDIT DIVISION FREDERICK COUNTY, MARYLAND**

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May 5, 2008

Gary S. Chapman, CIA, CGAP, CFE, Team Leader  
Mary Jo Emanuele, CIA, CGFM  
A.J. Hartsock  
ALGA Peer Review Team

Dear Mr. Chapman, Ms. Emanuele, and Mr. Hartsock:

Thank you for your report on the External Quality Control Review of our Internal Audit Division. I am pleased that your review found that our Internal Audit 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 from January 1, 2005 through December 31, 2007.

I am also pleased with the comments made in the management letter that:

- Our Division employs competent and qualified staff,
- Our audit reports are concise and well written,
- Our planning procedures are comprehensive and effective in identifying potential risks during the survey, and
- Actions have been taken to improve our quality control system.

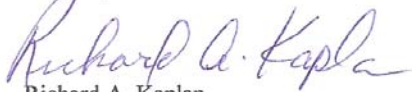
In the management letter you also recognized that our Division had already implemented new operating procedures that addressed issues found on two of ten engagements reviewed regarding the lack of evidence of supervision. These procedures, implemented in the past 6 months, ensure that supervisory reviews are documented and timely, and reports are cross-indexed and independently referenced. You stated that these new procedures should enhance audit quality.

In the management letter you recommended that our Audit Manual include procedures for issuing management letters and for describing the process used for making audit reports available to the public. We concur with these recommendations and your suggestions will be included in our upcoming revision to the Audit Manual.

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May 5, 2008  
Gary Chapman

We thank you all for your professionalism, openness, cooperation, and courtesy during the peer review. We also thank Theresa McGrady Weatherman, Director of Fairfax County Schools, Office of Internal Audit, for coordinating the peer review.

Sincerely,



Richard A. Kaplan  
Internal Audit Director