



Frederick County Internal Audit

September 15, 2004



N.A.L.G.A. Peer Review

(Peer Review – September 13-15, 2004)



National Association of Local Government Auditors

September 15, 2004

Martin T. Standel, Director Internal Audit
Interagency Internal Audit Authority
8 East Second Street, Suite 130
Frederick County
Frederick, MD 21701

Dear Mr. Standel,

We have completed a peer review of the Frederick County Interagency Internal Audit Authority for the period of fiscal years 2001 – 2003. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the National Association of Local Government Auditors (N.A.L.G.A.).

We reviewed the internal quality control system of your audit organization 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 Interagency Internal Audit Authority'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 of fiscal years 2001 – 2003.

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

Richard T. Tracy, CIA
Deputy Controller
Internal Audit
County of Berks
Reading, PA

Kathleen T. Seay, CPA, CISA
Audit Manager
Office of Internal Audit
Hanover County
Hanover, VA

Susan Powers, CPA
Asst. County Auditor
County Auditor's Office
Anne Arundel County
Annapolis, MD



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Martin T. Standel, Director Internal Audit
Interagency Internal Audit Authority
8 East Second Street, Suite 130
Frederick County
Frederick, MD 21701

Dear Mr. Standel,

We have completed a peer review of the Frederick County Interagency Internal Audit Authority for the period of fiscal years 2001 – 2003 and issued our report thereon dated September 15, 2004. 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:

- Your department employs experienced, competent, and qualified staff.
- Audits are well-planned using standard planning steps and a risk-based approach to identify audit scope.
- Your recently updated audit manual fully complies with the most recent version of *Government Audit Standards*.

We recognize that as a new director you have identified initiatives that will further enhance your audit quality. We are sure these will be visible in the next quality control review.

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

- Final audit reports were not always issued timely.

Streamline the reporting process. Consideration should be given to the level of review required prior to report issuance and to promptness of management's responses.

- Workpaper documentation could be enhanced by including source of data and excluding unnecessary documentation.

The director has a proposal for changes to workpapers to include source, objective, testing and conclusion information.

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

Sincerely,

Richard T. Tracy, CIA
Deputy Controller
Internal Audit
County of Berks
Reading, PA

Kathleen T. Seay, CPA, CISA
Audit Manager
Office of Internal Audit
Hanover County
Hanover, VA

Susan Powers, CPA
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INTERAGENCY INTERNAL AUDIT AUTHORITY FREDERICK COUNTY, MARYLAND

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September 22, 2004

Richard T. Tracy, CIA, Team Leader,
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Martin T. Standel, CIA

Dear Mr. Tracy, Ms. Seay and Ms. Powers:

The staff and I wish to express our gratitude and thanks to you, our Peer Review team.

In your "Management Letter," dated September 15, 2004, you offered the following observations and suggestions to enhance the Frederick County Internal Audit Department's adherence to government auditing standards:

1. Final audit reports were not always issued timely: Streamline the reporting process. Consideration should be given to the level of review required prior to report issuance and to promptness of management's responses.

We concur, that our reporting process can be streamlined and reports could be issued on a timelier basis.

Our Audit Manual, Section 400 G, which follows the AICPA's reporting standards, states: "*Dating Reports: Financial audit reports should be dated as of the last day of fieldwork. Financial-related and performance audit reports should be dated as of the day of the Director's final review*".

We will review the matter with the Interagency Internal Audit Authority (IIAA) and develop revised policies, which will allow our reports to be dated and issued on a timely uniform basis.

2. Workpaper documentation could be enhanced by including source of data and excluding unnecessary documentation: The director has a proposal for changes to workpapers to include source, objective, testing and conclusion information.

We concur. We will add the source of data and where applicable, we will exclude unnecessary documentation.

Once again, I wish to express our thanks. We are pleased that N.A.L.G.A. has found Frederick County's Internal Audit Department in full compliance in its adherence to auditing standards as defined by the GAO.

Sincerely,

Martin T. Standel, CIA
Director, Internal Audit



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RESPONSIBILITY • FAIRNESS
CARING • CITIZENSHIP

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