



National Association of Local Government Auditors

June 7, 2002

Debbie Taylor
Jackson County Auditor
Internal Audit Program
10 South Oakdale, Room 214
Medford, OR 97501

Dear Ms. Taylor:

We have completed an external quality control (peer) review of the Jackson County Internal Audit Program for audits issued during the period July 1, 2000 and May 31, 2002. We sampled and reviewed 10 of 16 reports that were issued during that period. In conducting our review, we followed the standards and guidelines contained in the *NALGA Quality Control Review Guide* published in May 1995 by the National Association of Local Government Auditors.

As prescribed by the *NALGA Guide*, we reviewed the internal quality control system of your audit office and tested a sample of your audits for compliance with government auditing standards issued by the U.S. General Accounting Office (GAO). Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in your audit work. We have also concluded from our sample of audits that your quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

It is our opinion that the Jackson County Internal Audit Program was in compliance with government auditing standards during the above-cited period. We have prepared a separate letter to management that offers suggestions for further strengthening your internal quality controls.

In addition to this "clean opinion," we believe several additional comments are warranted in this letter.

- This was the Jackson County Internal Audit Program's first peer review. We found that the audit function appeared to be highly effective and efficient. Many reports were produced in tight timeframes and essentially all of them met customers' needs and achieved desired results.
- The work of your office demonstrates the benefits of a full-time/on-site audit presence that serves the public interest well. Your office essentially delivers a high return on a fairly low public investment.
- By all appearances you are an independent auditor on whom the public can rely. We believe, however, that your independence can be enhanced by a change in County ordinance. The independence issue is especially relevant today because in January 2002 the GAO Government Auditing Standards Amendment No. 3—Independence. The new standard will become effective for all federal, state and local auditors beginning after January 1, 2003.

GAO's amendment substantially changes the previous standard to better serve the public interest and to maintain a high degree of integrity, objectivity and independence for government audits. One area addressed in the standard is Organizational Independence. A government audit organization's capability to perform the work and report results impartially can be affected by their position within the government entity. Audit organizations need to be free from organizational impairments to independence. When an

internal audit office, like yours, reports internally to management, your independence is enhanced when it also reports regularly to the entity's independent audit committee.

Currently and by ordinance you report directly to the County Administrator and have the authority to report directly to the Board of Commissioners if the administrator is believed to be a party in wrongful acts. In addition, an Audit Committee has been established to protect the independence of the Audit Office to ensure that directives of the County Administrator do not unduly influence you. The Committee also removes undue political pressure from being exerted on the Audit Office by individual members of the Board of Commissioners.

We noted that the County's Audit Committee has not been formally established by county ordinance. We recommend that the Audit Committee's position be formally established by ordinance to codify and better assure the independence of your office.



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Metro Regional Government
Portland, OR



LaVonne Griffin-Valade, Senior Management Auditor
Multnomah County Auditor's Office
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