
SUBJECT: DOUGLAS COUNTY AUDIT COMMITTEE

- I. INTRODUCTION:** As the demand for enhanced accountability and the increased examination of an adequate system of internal controls occurs in the private sector due to the Sarbanes-Oxley Act, so does the significance and importance of an audit committee in the public sector.

The independence and objectivity between the Douglas County Audit Committee and the County's management team ensures that internal controls are a key management objective of the County's operation. The Government Finance Officers Association and the Institute of Internal Auditors encourage the effective use of an audit committee in the public sector and considers this committee an integral element of public accountability and governance. The Douglas County Audit Committee plays a key role with respect to integrity of the County's financial information to include; systems of internal controls, legal and ethical conduct of management and employees, and to serve as an invaluable tool for ensuring that those responsible for financial management (management, auditors, and governing boards) meet the respective responsibilities for internal control compliance and financial reporting. Additionally, the Douglas County Audit Committee provides a vehicle for open communications between the Board of County Commissioners, the county management team, internal audit, and the independent external auditors.

II. PURPOSE:

- A. The role of the Douglas County Audit Committee is to maintain oversight of the auditing function, for both internal and external, resulting in increased integrity and efficiency of the audit processes for the County and the County's system of internal controls and financial reporting. The committee has four primary characteristics for it to successfully fulfill its obligations.
- B. Independence. The Douglas County Audit Committee will be independent both in fact and in appearance and requires processes to be in place to ensure such independence is maintained at all times.
- C. Communication. The Douglas County Audit Committee will maintain an open line of communication with the Board of County Commissioners, county management, internal and external auditors; providing direction for the County's audit function and a framework of accountability.

- D. **Accountability.** The Douglas County Audit Committee contributes to the integrity of the financial reporting process and reinforces the culture of a strong system of internal controls throughout the county.
- E. **Oversight.** The Douglas County Audit Committee shall provide oversight to the County's internal controls by assuring that the system of internal controls established by management are reviewed on a regular and systematic basis for functionality and effectiveness. The Douglas County Audit Committee's duties shall include, but are not limited to, development of the risk assessment and annual work plan, review of all individual audit reports, review of the annual report of audits completed and review the status of corrective actions, the annual budget, and the performance of the internal and external auditors. Upon completion of these reviews, the Douglas County Audit Committee will make appropriate recommendations to the Board of County Commissioners.

III. COMPOSITION:

- A. The Douglas County Audit Committee will be independent and objective in its collective mindset individually and as a group. The committee will reflect the following attributes:
 - 1. Excellent communication skills with each other and with others;
 - 2. A willingness to fully participate in complex and sensitive matters that require resolution;
 - 3. Public accounting, governmental accounting, and auditing experience.
- B. The Douglas County Audit Committee shall be comprised of five (5) members; one (1) member from the Board of County Commissioners and four (4) members from the public at-large.
 - 1. One (1) member of the Douglas County Audit Committee will be selected from the Board of County Commissioners. The board member shall be selected each January when the Board of County Commissioners addresses board and commission assignments.
 - 2. The four (4) members at-large of the Douglas County Audit Committee will be interviewed and selected by the Board of County Commissioners. These members should have experience in financial services, public accounting, and/or governmental auditing, and current knowledge of public laws and regulations governing an Audit Committee. The terms shall be for staggered two (2) years; expiring on each alternate year.
 - 3. The members at-large shall not accept any consulting, advisory, or other compensatory fees from the county and may not be an affiliated person with the county or any subsidiary thereof.
- C. Should a vacancy occur in any position on the Douglas County Audit Committee, the Board of County Commissioners must follow the procedure set forth above to select a

new member for the committee. The selection must occur within one (1) month of the vacancy occurring.

- D. When deemed necessary, the Douglas County Audit Committee may request that the county manager and other management employees attend a Douglas County Audit Committee meeting in an advisory capacity. This individual may be requested to provide necessary information relative to internal controls, data, and analysis related to the specific objectives of the Douglas County Audit Committee.

IV. RESPONSIBILITIES OF THE AUDIT COMMITTEE:

- A. The Douglas County Audit Committee will review and make recommendations to the Board of County Commissioners regarding the annual financial audit, performance, compliance, and efficiency audits, including specific issues of concern providing a higher level of accountability over the use of public funds and the adequacy of any county department or office performance measures for internal audit purposes. Reviews and recommendations by the internal auditor will be guided by the internal auditing standards. As appropriate, background documents related to specific audit issues will be sent to the committee during the course of each year.
- B. The Douglas County Audit Committee will:
1. Provide input into the annual risk assessment plan developed by the internal auditor to identify areas of risk or exposure facing the County's organization; review and assess the steps necessary to minimize such risks in the future and improve operating efficiencies; oversee the internal auditor's creation and implementation of processes to identify potential fraud, waste and abuse of county resources and property and a findings reporting protocol;
 2. Identify with key directors significant risks or exposures facing their organizations/operations to develop a "risk plan" and "audit work plan" to prioritize the internal auditor's work load and assess the need for professional services;
 3. Annually review the audit scope and work plan of the internal auditor in conjunction with the external auditors plan to address the coordination of audit efforts to ensure the completeness of coverage, reduction of redundant efforts, and effective use of audit resources;
 4. Discuss the fiscal health of the county in relation to the adopted budget with the County Manager and the Director of Finance;
 5. Consider matters related to the systems of internal controls, including overseeing compliance by management with applicable policies and procedures;

6. Review and make recommendations to the Board of County Commissioners regarding audit findings, including the status and implementation of recommendations for both internal and external audits;
 7. Review and make recommendations to the Board of County Commissioners pertaining to the internal audit budget for operating expenses and capital expenditures;
 8. Oversee the appointment of the independent auditors to be engaged by the Board of County Commissioners for external reporting and recommend to the Board of County Commissioners the related audit fees;
 9. Recommend to the Board of County Commissioners to engage outside professional services when deemed appropriate for audit issues;
 10. Review the internal audit charter and make recommendations to the Board of County Commissioners when changes are deemed necessary;
 11. Review and make recommendations to the Board of County Commissioners for special requests for audit projects and have the authority to perform other duties as may be delegated to it by the Board of County Commissioners.
- C. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS) require an independent auditor to evaluate the County's internal controls in connection with determining the extent of their audit procedures. The external auditors are required to alert the Douglas County Audit Committee and the governing body regarding material matters. The Douglas County Audit Committee will:
1. Review and make recommendations to the Board of County Commissioners pertaining to the external auditors annual audit plan and inquire into external audit matters as deemed appropriate;
 2. Oversee the appointment of the independent auditors to be engaged by the Board of County Commissioners for external reporting and establish the related audit fees; review and evaluate the performance of the independent auditors, and establish a regular schedule for periodically re-bidding the annual audit;
 3. Review and make recommendations to the Board of County Commissioners regarding all significant written communications between the independent auditors and management, such as any management letter or schedule of un-adjusted differences.

V. MEETINGS OF THE AUDIT COMMITTEE:

A. The Douglas County Audit Committee will meet quarterly. All members are expected to attend on a regular basis.

B. The Douglas County Audit Committee may ask members of management or others to attend meetings and to provide pertinent information when necessary.

C. Meetings are scheduled in accordance with the state's open meeting laws. The internal auditor shall establish the agenda for meetings and will provide to members in advance, all appropriate briefing material.

VI. RESPONSIBILITY FOR REVIEW: The County Manager shall review this policy as needed or at least once every 5 years.