

# Salt Lake County Auditor's Audit Services Division Overview

## Brief History

The Salt Lake County Auditor's internal audit function was formally established in 1974. When it was established, the Internal Audit Division focused mainly on ensuring that Salt Lake County departments and agencies complied with fiscal policies and procedures that were developed by the County Auditor's accounting division. Performance auditing in local governments was gaining broader acceptance in the late 1980's, and by the late 1990's, the Internal Audit Division was incorporating performance audits into the types of audits that were conducted at the time.

In 2012, amendments to the State of Utah's county auditor statute (§17-19a, County Auditor) facilitated the removal of the accounting and budgeting functions from the Salt Lake County Auditor's Office and placed them in the Salt Lake County Mayor's Office. The change was an improvement for the governance structure of the County, bolstered the Internal Audit Division's independence, and brought the Auditor's internal audit function into better compliance with Generally Accepted Government Auditing Standards (GAGAS).

In 2015, newly elected Salt Lake County Auditor, Scott Tingley, restructured the Internal Audit Division and renamed it the Audit Services Division. These changes brought the Audit Services Division into better alignment with Utah State Code (§17-19a-204, Auditing services) and current standards and practices of local government auditing.

## Internal Audit Defined

An internal audit function is a management tool. Internal auditors are independent and objective observers that evaluate an organization's governance, risk management, and internal controls on behalf of management and report the results to those charged with governing the organization. Like external auditors that issue an opinion on the accuracy and reliability of an organization's financial statements, internal auditors gather evidence, conduct audit tests, and issue an opinion on an organization's governance, risk management, and internal control activities.

While the primary users of an external auditor's conclusions and findings are outside of an organization, typically investors and creditors, the primary users of an internal auditor's conclusions and findings are inside an organization. In the private sector, the primary users of the results of internal audits include managers, executives, and the governing body of the organization, typically the board of directors. Internal auditors provide assurance to managers, executives, and the board, that governance, risk management, and internal control activities are effective and functioning as intended.

## Public Sector Auditors

In the public sector, most auditors function as internal auditors for the various governmental entities that they work for. Public sector auditors are most likely to be positioned in either the executive or legislative branches of government, depending on the laws and statutes that govern their jurisdictions.

For example, the Utah State Constitution establishes the Office of the Utah State Auditor, an executive branch elected official, while Utah State Code establishes the Office of the Legislative Auditor General, a

legislative branch appointee. Both offices conduct audits of state programs and departments and report the results of those audits to managers, directors, elected officials, legislators, and the public.

An important component of public sector auditing is accountability to the public. While private sector internal auditors ultimately report audit results to the board, government auditors are expected to provide assurance and accountability to the public as well.

In the public sector, managers, directors, elected officials, and legislative bodies are the primary users of the information that public sector auditors provide. However, members of the public are important secondary users of government audit results. The results of audits conducted by the Audit Services Division are typically made available to the public through the County Auditor's website, thereby promoting transparency and accountability to the public.

## **Audit Services Division Mission**

The mission of the Salt Lake County Auditor's Audit Services Division is:

*To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.*

## **Core Audit Activities**

The Audit Services Division's Core Audit Activities include Financial – Internal Control Audits, Performance Audits, IT Audits, and Capital Project Audits.

### **Financial – Internal Control Audits**

The purpose of a financial – internal control audit is to evaluate the internal controls of a County program, department, or agency to ensure that financial records are accurate and complete, that County assets have adequate safeguards, and that the organization complies with Countywide policies, contract agreements, and grant requirements. Financial – internal control audits may include a review of a County organization's revenues, expenditures, assets, liabilities, payroll, or grant funds.

### **Performance Audits**

The Audit Services Division conducts performance audits under the direction and supervision of the County Council or the County Mayor. The purpose of a performance audit is to review a County program, department, or agency's procedures, activities, or policies to determine if the County is achieving the best levels of economy, efficiency, effectiveness, and compliance. A performance audit may include a review of the economy, efficiency, and effectiveness of operational performance; the accomplishment of intended objectives; adherence to statute, ordinance, policies, or legislative intent; or whether management, financial, and information systems are adequate and effective.

### **Information Technology (IT) Audits**

In 2015, the Audit Services Division entered into an agreement with the County Mayor's IT Division to provide IT audit services for the County. The agreed upon IT audit services include performing internal security assessments of the County's compliance with the Payment Card Industry (PCI) Data Security Standard (DSS); assisting with external security vulnerability assessments of the County's IT network; auditing the security framework and role-based access controls of the County's financial system; and

conducting internal risk assessments and security audits of County agencies that work with healthcare data to ensure compliance with HIPPA requirements.

The Audit Services Division employs one full-time IT Auditor that is responsible for providing IT audit services for the County. Audits of general IT controls, data security, IT disaster recovery, and software licensing are also conducted when requested.

### **Capital Project Audits**

The purpose of a capital project audit is to determine if the management and administration of design and construction contracts comply with the capital project review and approval process required by the County's Capital Project Planning, Approval, and Administration Policy. Capital project audits ensure that the County's capital project expenditures are properly reviewed, authorized, and accounted for, and that all contractor payments comply with the terms of design and construction contract agreements.

### **Audit Recommendation Follow-up Reviews**

Government Auditing Standards require that auditors perform follow-up audit work to determine if appropriate corrective action has been taken to address issues, findings, and deficiencies identified in prior audit engagements. To ensure that County departments and agencies take action to address significant issues and findings identified during an audit, the Audit Services Division conducts audit recommendation follow-up reviews at six-months and again at twelve-months after the completion of an audit. A final audit recommendation follow-up report is issued after the twelve-month review to agency management and other County stakeholders.

### **Investigations and Fraud Prevention**

According to the Association of Certified Fraud Examiners, instances of fraud are twice as likely to be detected from a tip than from an internal audit. Audit Services has established both an online and telephone Fraud Hotline. The Auditor's Office Fraud Hotline allows anyone to report suspicious activity or acts of wrongdoing within Salt Lake County government. The goal of the Fraud Hotline is to identify potential instances of fraud, waste, or misuse of taxpayer funds or property. All concerns that are submitted either online or by telephone, via the Fraud Hotline are taken very seriously.

Even with sound policies, procedures, and internal controls in place, it is not possible to prevent all instances of fraud. The Audit Services Division conducts investigations into reports of alleged fraud or wrongdoing in Salt Lake County government. During investigations, internal auditors examine the allegations of fraud or wrongdoing, and document the policies and internal controls that should be in place to prevent fraud. They assess the evidence and determine whether the allegations can be substantiated and report their findings to the appropriate level of County management or law enforcement. In addition, they identify areas during their investigation where potential vulnerabilities or weaknesses exist and offer recommendations for strengthening internal controls or processes to help prevent fraud or wrongdoing in the future.

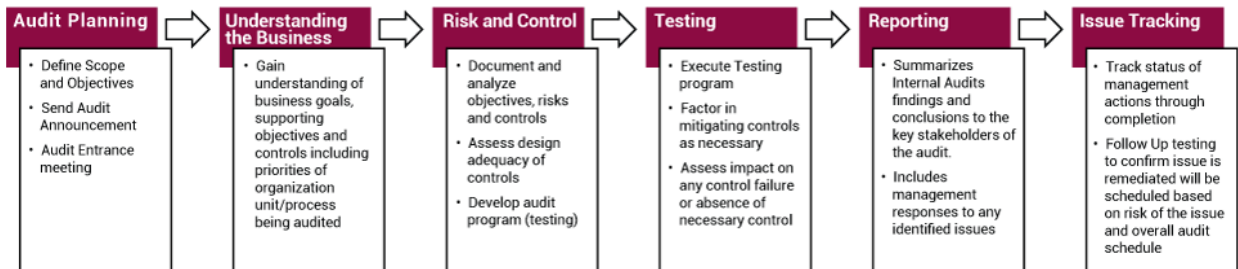
### **Audit Standards**

The Audit Services Division strives to follow generally accepted Government Auditing Standards which are provided by the Comptroller General of the United States of America and the U.S. Government Accountability Office. Government Auditing Standards provide guidance and direction on how to

conduct financial and performance audits, along with requirements for reporting audit results and ensuring the quality of audit work that is performed.

## The Audit Process

The basic audit process is summarized in the following chart:



## Audit Services Division Organization Chart

The organizational chart shows the internal structure of the Audit Services Division.

