Department of Internal Auditing External Quality Assessment
Presented to:

Cuyahoga County

October 2021

Cuyahoga County
Department of Internal Auditing

It is our overall opinion that the Department of Internal Auditing "Generally Conforms" with the *Standards* and the IIA Code of Ethics.

Generally conforming demonstrates that the relevant structures, policies and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standards or element of the Code of Ethics in all material respects.

Governance	
Standard	**Rating**
1000	GC
1100	GC
1300	GC
Code of Ethics	GC

Staff	
Standard	**Rating**
1200	GC

Management	
Standard	**Rating**
2000	GC
2100	GC
2600	GC

Process	
Standard	**Rating**
2200	GC
2300	GC
2400	GC
2500	GC

Thank you for the opportunity to be of service to Internal Audit. We will be pleased to respond to further questions concerning this report and furnish any desired information.

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CORPORATE SEAL

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List of Acronyms

Acronym	Description
AC	Cuyahoga County Council Audit Committee
CAATs	Computer Assisted Audit Techniques
CAE	Director of Internal Audit
CC	Cuyahoga County
Core Principles	Core Principles for the Professional Practice of Internal Auditing
DIA	Department of Internal Auditing
EQA	External Quality Assessment
ERM	Enterprise Risk Management
IIA	The Institute of Internal Auditors
IPPF	International Professional Practices Framework
IT	Information Technology
QAIP	Quality Assurance and Improvement Program
Standards	*International Standards for the Professional Practice of Internal Auditing*

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Executive Summary

Executive Summary

Under the *International Standards for the Professional Practice of Internal Auditing ("Standards"),* an external quality assessment ("EQA") of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessment team who performed this EQA demonstrated competence in both the professional practice of internal auditing and the EQA process as required by the *Standards.* The Cuyahoga County (CC) Department of Internal Auditing (DIA), in consultation with the Audit Committee, selected the Institute of Internal Auditors ("IIA") Quality Services, LLC to lead their review. The onsite portion of the EQA took place virtually during the period of September 27, 2021 through October 1, 2021. The final conclusions made by the independent assessment team were as of October 1, 2021. Future changes in environmental factors and actions taken by personnel, including actions taken to address recommendations, may have an impact upon the operation of the DIA in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the findings and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions.

Opinion as to Conformance with the *Standards* and the IIA Code of Ethics

It is our overall opinion that the DIA generally conforms with the Standards and the IIA Code of Ethics. This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing ("Core Principles") and the Definition of Internal Auditing. A detailed list of conformance to individual *Standards* and the IIA Code of Ethics is shown in this report. An opinion of "generally conforms with the Standards" permits the DIA's use of the terms "Conforms with the International Standards for the Professional Practice of Internal Auditing" or "Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing" and is encouraged to use this terminology where and when appropriate.

The IIA's Quality Assessment Manual suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally Conforms" is the top rating and means the assessor or assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the Standards and the IIA Code of Ethics in all material respects. Detailed definitions for rating criteria associated with "Generally Conforms", "Partially Conforms", and "Does Not Conform" are described in Attachment A of this report and are consistent with the guidance provided by the IIA in their Quality Assessment Manual.

Objectives of the EQA

The principal objectives of the EQA were to (1) assess the DIA conformance with the *Standards* and the IIA Code of Ethics; (2) assess the effectiveness of the DIA in providing assurance and advisory services to the AC, senior stakeholders within the County, and other interested parties; and (3) identify opportunities, and offer recommendations for improvement to both CC senior management and the DIA, and provide counsel to the DIA for improving their performance and services and promoting their image and credibility.
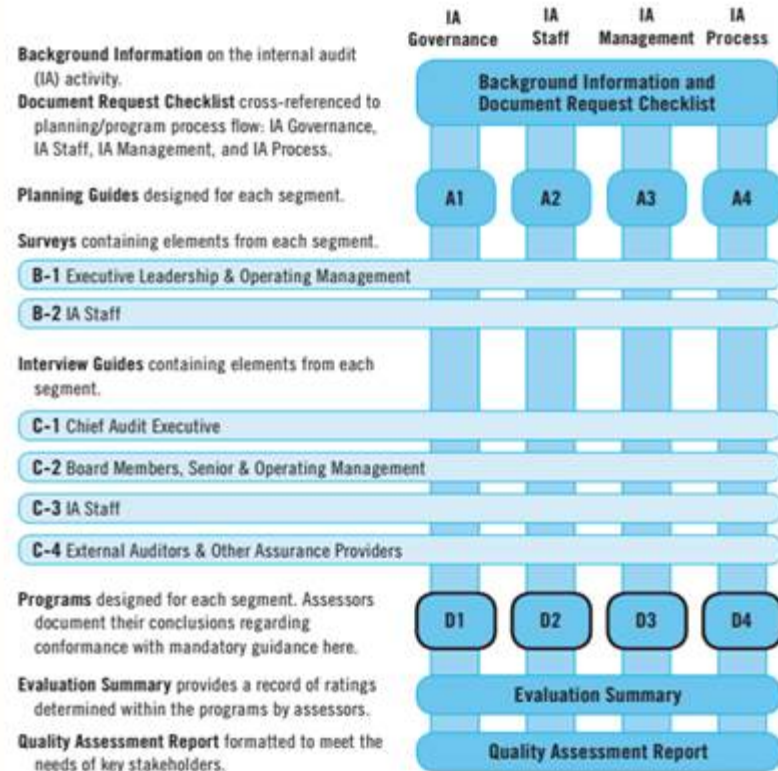
Executive Summary

Scope of the EQA

The scope of the EQA included the operations of the DIA, as of October 1, 2021, as set forth in the DIA Charter approved by the AC. The DIA Charter defines the purpose, authority, responsibility, and accountability of the DIA.

Methodology of the EQA

To accomplish the objectives, the independent assessment team (the team) reviewed information prepared by the DIA at the team's request; conducted interviews with selected key stakeholders of the DIA including the County Executive, the Chair and other members of the AC, County senior executives and operating management, a representative of the Ohio Auditor of State who serves as the County's external auditor, and the DIA management and staff; reviewed a sample of audit projects and associated work papers and reports; reviewed survey data received from executives and management; and prepared diagnostic tools consistent with the methodology established for an EQA in the IIA *Quality Assessment Manual.*

QUALITY ASSESSMENT PROCESS MAP
Programs

Executive Summary - Observations Specific to Internal Audit

Overall

The DIA generally conforms with the Standards and the IIA Code of Ethics. This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles and the Definition of Internal Auditing. The DIA operates in a very dynamic environment with changing and emerging risks. Their ability to adapt and be responsive to change, combined with their ability to leverage insight on risks impacting the County into focused audit plans, will continue to be critical to their success and value to the organization. The Director of Internal Audit (CAE) is committed to strengthening the Quality Assurance and Improvement Program (QAIP) to provide for continuous improvement and alignment with the Standards and the IIA Code of Ethics. The DIA annual planning process focuses activities in areas of risk identified with the input of the AC, the County Executive and other senior and operating managers consistent with the strategies and objectives of the County. The DIA appropriately monitors the effectiveness of County risk management and control activities through its annual planning process and the audits it performs. Results of interviews and surveys of key stakeholders indicate that Internal Audit is valued by the AC, County Executive, as well as senior and operating management.

Attribute Standards

The DIA has the infrastructure in place to support sustainability of internal audit processes in a quality and consistent manner. The DIA Charter is foundational to all their activities. The functional and administrative reporting relationships support organizational independence and objectivity. The nature of the DIA's functional reporting relationship to the AC is specifically described in the DIA Charter and Policies, as well as in the AC Charter. While both the DIA and AC Charters are appropriate, they should be reviewed to ensure they are consistent with each other and aligned with the model Charters provided by the IIA. The DIA work is performed with due professional care that includes an appropriate level of supervisory review and approval. Training and professional development processes support proficiency of the DIA management and staff. The DIA should further strengthen the QAIP by periodically reporting on the results of assessments and on-going monitoring activities, as well as improvement plans, to the AC and senior management.

Performance Standards

The DIA should strengthen its annual plan by including proposed audit projects that are based on a more functional assessment of the audit universe, and planned scopes that are more narrowly focused, to provide a basis to better manage resources. The CAE should use the more focused plan to take steps that provide for increasing the effectiveness of deploying resources in a way that optimizes the achievement of the approved plan. Current periodic reports to senior management and the AC appropriately communicate DIA activities. The CAE should take steps to increase the DIA ability to make recommendations specifically to improve Cuyahoga County Governance processes. Engagement level planning is supported by engagement level risk assessments to focus audit activities. Individual audits are of a consistent high quality and work papers fully support reported findings. Audit reports are consistent with the underlying work product and focus the reader on those areas of highest relevance. The DIA properly monitors progress on the implementation of audit recommendations and provides senior management and the AC with reports on the progress.

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Executive Summary
Standards and the IIA Code of Ethics Conformance Summary

		GC	PC	DNC
OVERALL		X		

		GC	PC	DNC
ATTRIBUTE STANDARDS		X		
1000	**Purpose, Authority, and Responsibility**	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter			X
1100	**Independence and Objectivity**	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	**Proficiency and Due Professional Care**	X		
1210	Proficiency	x		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	**Quality Assurance and Improvement Program**	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program		X	
1321	Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"	X		
1322	Disclosure of Nonconformance	X		

		GC	PC	DNC
PERFORMANCE STANDARDS		X		
2000	**Managing the Internal Audit Activity**	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management		X	
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		

		GC	PC	DNC
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	**Nature of Work**	X		
2110	Governance		X	
2120	Risk Management	X		
2130	Control	X		
2200	**Engagement Planning**	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Programs	X		
2300	**Performing the Engagement**	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	**Communicating Results**	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	NA		
2500	**Monitoring Progress**	X		
2600	**Communicating the Acceptance of Risks**	X		

		GC	PC	DNC
IIA CODE OF ETHICS		X		

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Executive Summary
Key Observations

The independent assessment team identified key observations in the following areas:

- Successful internal audit practices,

- Gaps to conformance with the Standards, and

- Opportunities for improvement to enhance efficiency and effectiveness of the DIA process and CC Governance.

Detailed observations, recommendations, and CC responses are included in the following section of this report.

Successful Internal Audit Practices Noted
An Executive Order has been issued to provide DIA with appropriate access to records, personnel and physical properties relevant to audits
A member of the County's executive staff serves as a liaison between the DIA and County management
The DIA has implemented thorough and comprehensive status reporting to to the AC and management
The DIA has developed scoping and control condition forms to assist in maintain focus on audit engagement scope and objectives
The DIA has developed and maintains an excellent system to track the status of management's actions on audit engagement recommendations
DIA audit reports include a "Commendable Practices" section which recognizes positive management actions
The CAE follows an open-door policy that the audit staff views as very positive
The DIA audit staff is viewed as very professional and collaborative by senior and operating management
The DIA prepares a strategic plan that aligns with the goals and expectations of Cuyahoga senior management
The CAE holds weekly staff meetings as well as weekly one-on-one meetings with each member of the audit staff
The DIA has served commendably in support of CC business operations during the COVID pandemic

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Executive Summary
Key Observations

Gaps to Conformance with the *Standards* Noted	
Standard 1010	***Recognizing Mandatory Guidance in the Internal Audit Charter*** – Revise the DIA Charter to recognize the mandatory nature of the IIA guidance regarding the Core Principles, Standards, Code of Ethics and definition of internal auditing.
Standard 1320	***Reporting on the Quality Assurance and Improvement Program –*** Strengthen reporting on the QAIP to senior management and the AC by including results of the QAIP, as well as improvement plans, in DIA status reporting.
Standard 2030	***Resource Management*** – Ensure the DIA resources are appropriate, sufficient, and effectively deployed to achieve the approved annual audit plan, including resources needed to outsource some planned DIA activities.
Standard 2110	***Nature of Work: Governance*** – Increase activity to assess and make recommendations to improve CC Governance processes, including IT Governance and the County ethics program. Include these as mandatory audit engagements in the annual plan and consider elements of County Governance when planning audit engagements.

Executive Summary
Key Observations

Opportunities for Continuous Improvement Noted: Executive Management and the AC	
Successful Practice	*CAE Communication Links* – The ability of the CAE and the DIA to add value to CC could be enhanced by increasing communication links with senior management.
Successful Practice	*Scope of DIA Services* – The scope of DIA services could be expanded to include audit services that are focused on evaluating the effectiveness and efficiency of CC programs and operations.
Successful Practice	*Audit Committee Charter* – The Audit Committee could consider reviewing and revising its Charter.
Successful Practice	*CC Governance* – CC Governance could be enhanced by implementing processes generally recognized as successful business practices that are instrumental in properly guiding an organization.
Implementation Guide 2010	*DIA Annual Planning* – The AC and executive management could help strengthen the DIA ability to estimate and manage audit resources by approving "Frequency Guides" that link appropriate audit coverage of the County to risk.

Opportunities for Continuous Improvement Noted: DIA Management	
Implementation Guide 1000	*DIA Charter* – The CAE could enhance the DIA Charter by revising it, using the guidance provided within the IIA *Model Internal Audit Charter*.
Implementation Guide 1210 Standard 1210.A3	*Proficiency in Information Technology* – The CAE should increase the DIA proficiency the knowledge and skills regarding key IT risks and controls and available technology-based audit techniques.
Implementation Guide 2010	*DIA Annual Planning* – The DIA could enhance the annual planning process by redefining the "Audit Universe" to focus more on CC functions and processes.
Implementation Guide 2050	*Coordination and Reliance* – Ensure the DIA is aware of all providers of assurance and advisory type services, both internal and external, to determine any needs for coordination and potential to place reliance on their work.

Detailed Observations

Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards* Noted for DIA Management	DIA Management Response
Standard 1010 Recognizing Mandatory Guidance in the Internal Audit Charter – IIA *Standards* require the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing must be recognized in the internal audit charter. The current DIA Charter does not include any recognition of these mandatory elements of the Professional Practices Framework. The CAE should revise the DIA Charter to fully meet the requirements of this *Standard*, and have the revised Charter approved by the AC and the County Executive.	The CAE will ensure that the DIA Charter is revised to fully meet the requirements of Standard 1010 and will seek approval from all appropriate stakeholders. The revision will occur during the annual charter review process and will be presented the 2nd quarter meeting. It should be noted that to fully meet the requirements and recommendations relative to the DIA Charter, a significant rewrite is required.
Standard 1320 Reporting on the QAIP – Strengthen reporting on the QAIP to senior management and the AC by including results of the QAIP and improvement plans in status reports. The CAE has implemented most of the elements of a QAIP that include ongoing monitoring, periodic internal self assessments, and independent external assessments. However, reporting on the results of the QAIP to senior management and the AC has not been implemented. The CAE should add to existing QAIP procedures to provide for reporting to senior management and the AC of both internal and external assessments (when the reports are issued to the CAE), as well as the ongoing monitoring activities and resulting improvement plans, at least annually.	The CAE will establish additional QAIP procedures including a more formal periodic internal self assessment. These procedures will be reflected in the DIA Audit Manual. DIA will report the results of all QAIP activity annually at the 4th quarter AC meeting commencing in 2022.

Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards* Noted for DIA Management	DIA Management Response
Standard 2030 Resource Management – Ensure DIA resources are appropriate, sufficient, and effectively deployed to achieve the approved annual audit plan, including resources needed to outsource some planned DIA activities. IIA *Standards* require the CAE to ensure a) the DIA has the right mix of knowledge, skills, and other competencies needed to perform the plan, b) the quantity of resources to accomplish the plan are sufficient, and c) resources are effectively and efficiently deployed to optimize the achievement of the approved plan. In recent years, the DIA has had difficulty completing significant portions of the approved annual plan. While some of the difficulty is related to the challenges imposed by the pandemic, other factors appear to also have an affect. In order to fully meet the requirements of the *Standards*, the CAE should: • Continue to request appropriate budget funds to increase DIA staff resources with the type of IT auditor skill sets needed to provide appropriate risk-based audit coverage over all elements of the County's IT operations; adding staff and/or outsourcing services should be considered; • Redefine the audit universe with more emphasis on function and process, including IT; • Use the redefined audit universe to incorporate more specifically scoped audit engagements in the annual plan; • Use the more specific scopes to develop smaller, more manageable time estimates for the engagements in the annual plan; • Consider establishing a target resource limit for all engagements in the annual plan, such as in a range of 200 to 400 hours; • Establish criteria and procedures to ensure audit scopes are adhered to when engagements are performed, and are only expanded, when necessary, with proper managerial review and approval; • Establish procedures to consider planning a future audit, when the audit in progress is found to be more complex than initially planned; • Continue to develop methods and procedures to add to the efficiency in performing audits such as the scoping and control condition forms that have already been implemented within the audit engagement process.	The CAE recognizes and understands the tenets of Standard 2030 and agrees that the recommended measures would effectively address the concern. However, most of the measures are dependent upon the ability to redefine the audit universe and thus present an extreme challenge in implementation. As noted in a later section of the report, redefinition of the audit universe will require significant resources which exceed those currently available. The obtainment of additional resources is beyond the control of the CAE. The CAE has and will continue to request budget funds for appropriate resourcing including that needed to obtain requisite IT auditor skill sets. It should be noted that continued use of the previously established audit universe is a viable option but may continue to result in large BVA variances for first time audits as well as larger engagement sizes. The reason for such is that the in-depth understanding usually gained and documented with the establishment of a functional/process audit universe, must be gained on a per audit basis with use of a unit/departmental audit universe.

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Gaps to Conformance with the *Standards* Noted

Gaps to Conformance with the *Standards* Noted for DIA Management	DIA Management Response
Standard 2110 Nature of Work: Governance – Increase activity to assess and make recommendations to improve County Governance processes by including them as mandatory audit engagements in the annual audit plan and consider elements of County Governance when planning audit engagements. The IIA *Standards* require internal audit to assess and make recommendations to improve an organization's governance processes. Current DIA methodology for annual planning and audit engagement planning does not include procedures to assess County Governance processes. The DIA policies and procedures should provide for assessing processes related to: • Evaluating the design, implementation, and effectiveness of County ethics-related objectives, programs, and activities; • Determining whether IT governance supports County strategies and objectives; • Making strategic and operational decisions; • Overseeing risk management and control; • Ensuring effective organizational performance management and accountability; • Communicating risk and control information to appropriate areas of the organization; and • Coordinating the activities of and communicating information among the board, external and internal auditors, and management. Accordingly, the CAE should establish policies and procedures to a) include County governance processes in annual planning by establishing them as auditable entities in the audit universe and designating them as mandatory audits, and b) include standard steps in engagement planning programs to consider assessing elements of governance if they exist in the area under review. Examples of governance processes include, but are not limited to strategic planning, performance measurement, enterprise risk management, IT direction and utilization, ethics hotline, and board communications and operations. The lack of any of these types of processes in the County does not preclude the DIA from assessing the need for such processes.	The CAE will include County governance processes in the annual audit planning by establishing them as auditable entities in the audit universe and will include all governance processes in the recommended annual audit plan presented to the Audit Committee beginning with the 2023 plan. The CAE will ensure that the assessment of governance elements are included in the engagement planning process for all audits as applicable starting with any audits commencing in 2022.

Opportunities for Improvement Noted: Senior Management and/or the AC

Opportunities for Improvement Noted for Executive Management and/or the AC	Executive Management and/or AC Response
Successful Practice: Enhancing Communication Links of the CAE – Executive management could consider enhancing the ability of the CAE to add value to the County by increasing communication links with senior management. Executive management could consider increasing formal communication links by including the CAE as part of senior leadership groups, such as the "Executive Circle". The communication links of the CAE within the management structure of the County is critical to being able to provide audit services that add value. Including the CAE in direct communication with senior management allows input from an audit perspective, and significantly adds to her understanding of the issues and challenges the County faces. Communication with the highest levels of senior management also demonstrates to all levels of management throughout the County the status and importance of the DIA.	At this time, it would not be appropriate to include the independent auditor within internal executive discussions. However, the County Executive is committed to making sure there is a strong and positive working relationship with Internal Audit. The establishment of the Executive Liaison is part of that effort. Additionally, the County Executive holds regular meetings with the Internal Auditor to identify if there are any issues or concerns that need to be addressed.

Opportunities for Improvement Noted: Senior Management and/or the AC

Opportunities for Improvement Noted for Executive Management and/or the AC	Executive Management and/or AC Response
Successful Practice: Scope of DIA Services – Executive management and the AC could consider an opportunity to expand the scope of DIA audit services. The DIA charter establishes the authority to afford County management a broad scope of services in the form of assurance and consulting engagements. Most of the services currently provided by the DIA, whether in an assurance or consulting engagement, focus on financial systems and controls, which has been consistent with management's expectation. However, it appears these expectations are expanding. During the interviews, some executive and operating management expressed a need for DIA services more focused on operational efficiency and effectiveness, performance measurement, and business process improvement. The County Executive, AC, and the CAE could discuss opportunities to add more of these types of audit services to the annual work plan. The sufficiency, knowledge, and skills of current DIA resources to provide these services will have to be evaluated.	**Audit committee response:** The audit committee would support DIA expanding auditing services to increase focus on operational efficiency and effectiveness, performance measurement and business process improvement. This increased focus may require additional training for DIA staff as well as additional staffing resources. **Executive response:** The County Executive is open to working with the Internal Auditor and Audit Committee to include these types of projects within the annual work plan. The County Executive supports efforts to improve processes and efficiencies of all County operations. One of the tools used to support these efforts is the Cuyahoga County Innovation Academy which teaches process improvement, project management and change management techniques to County employees and support their efforts to improve processes within their departments. This may be a possible training avenue if the Internal Auditor would like to pursue these types of engagements.

Opportunities for Improvement Noted: Senior Management and/or the AC

Opportunities for Improvement Noted for Executive Management and/or the AC	Executive Management and/or AC Response
Successful Practice: Audit Committee Charter – The Audit Committee could consider reviewing and revising its Charter. The AC could consider revising its Charter regarding its functional oversight role of the DIA and the CAE. The IIA *Model Audit Committee Charter* could be used as a guide to more closely align the Charter with IIA *Standards*.	Annually, the audit committee reviews and considers updates to the audit committee charter. In 2022, the audit committee, with the assistance of the CAE, will review proposed changes to align the charter with IIA Standards and evaluate any proposed changes with the audit committee's current understanding of its responsibilities.

Opportunities for Improvement Noted: Senior Management and/or the AC

Opportunities for Improvement Noted for Senior Management and/or the AC	Senior Management and/or AC Response
Successful Practice: County Governance – Senior Management and the AC could consider increasing County governance by implementing processes generally recognized in today's business environment as key to guiding an organization. Many business entities, including governments at all levels, have implemented these governance processes. While many elements of governance exist throughout County departments, a more integrated county-wide approach would be more effective in providing consistent guidance and oversight. Accordingly, senior management and the AC could discuss and consider developing County governance processes such as enterprise risk management (ERM), performance measurement, and IT governance. The DIA can be considered a resource in assisting the development of these processes however, DIA should not be tasked with administering any of these processes.	**Audit committee response**: The audit committee supports the county establishing enterprise risk management, performance measurement and IT governance as a best practice for government. However, implementing these types of initiatives are the responsibility of senior management. The Audit committee would support using DIA as a resource in assisting the County with developing these important processes. **Executive response:** Many of these County governance processes recommended are already in existence or development. In 2021, a Risk Manager was hired with one of the goals to develop a County-wide risk management strategy. The Office of Innovation and Performance assists department in performance management efforts and reports results publicly through the Cuyahoga Performance initiative. In late 2021, a new Chief Information Officer was hired and will continue to improve IT governance processes. At this time, assistance from the Department of Internal Audit on these items is not required.

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Opportunities for Improvement Noted: Senior Management and/or the AC

Opportunities for Improvement Noted for Senior Management and/or the AC	Senior Management and/or AC Response
Implementation Guide 2010: DIA Annual Planning – The AC and executive management could help strengthen the DIA ability to estimate and manage audit resources by approving "Frequency Guides" that link appropriate internal audit coverage to the County's risk exposures. One of the primary responsibilities of the CAE is to establish a risk-based annual plan to determine the priorities of the DIA, consistent with the County's goals, and must communicate the resources needed to complete the plan. The role of the AC and executive management is to review and approve the risk-based plan. Once the plan is approved, the CAE must ensure resources are appropriate, sufficient, and properly deployed to optimize achievement of the approved plan. When preparing an annual plan that presents objective and quantitative estimates of the resources needed to provide appropriate internal audit coverage across an organization's operations, over a reasonable timeframe, "Frequency Guides" are a very effective tool. These guides reflect organizational risk perspectives relative to its operations and, with the proper approval, are used to establish how often and when the operations are to be audited. The CAE has already developed these guides, and the AC and executive management could consider approving the DIA to use them in preparing their annual risk-based plan.	**Audit committee response:** The Audit Committee agrees as to the importance of establishing "Frequency Guides" that link appropriate internal coverage to the County's risk exposures and will ensure the formal establishment of such through adding an item to the Agenda of the first quarter meeting for discussion and approval of the recommended "Frequency Guides" previously developed by the CAE. **Executive response:** The Executive defers to the Audit Committee on this issue and thus provided no response.

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Opportunities for Improvement Noted: DIA Management

Opportunities for Improvement Noted for DIA Management	DIA Management Response
Implementation Guide 1000: DIA Charter – The CAE could consider enhancing the effectiveness of the DIA charter by: • Having the Charter signed by the County Executive in addition to the AC Chair; • Referencing the Executive Order granting the DIA unrestricted access County records, data, personnel and locations; • Ensuring the AC responsibilities for the DIA, as presented in the AC Charter align exactly with the DIA Charter; • Removing DIA management and administrative matters; • Removing references to GAO Standards • Using the IIA model IA Charter for further revisions.	The CAE concurs and will implement recommendations stated during the annual charter review process in 2nd quarter 2022.
Implementation Guide 1210; Standard 1210.A3: Proficiency in Information Technology – The CAE should increase the DIA proficiency the knowledge and skills regarding key IT risks and controls and available technology-based audit techniques. The CAE should take the steps necessary to ensure that, collectively, DIA staff have sufficient knowledge of key information technology risks and controls, as well as available technology-based audit techniques (data analytics) to conduct audit engagements of processes reliant on information technology. Taking these steps will require additional resources and involve some combination of additional annual training for staff, hiring an IT auditor, and/or engaging a qualified third-party firm.	The CAE concurs and will implement recommendations stated by requiring IT audit related training for all staff during 2022. The CAE will continue to advocate for the obtainment of other requisite IT expertise through the hiring of an IT auditor or engagement of a qualified third-party firm.
Successful Practice: IIA Competency Framework in the Public Sector – The CAE could use this Framework to guide further DIA growth in its ability to add value to the County and as a means of enhancing the capabilities of the DIA staff. The DIA is a relatively young internal audit activity, having been formed in 2012. It continues to mature in its approach to providing audit services and strives to add value to County operations. As a guide to maturing properly, the CAE could consider using the IIA "Competency Framework in the Public Sector" as a valuable resource. It provides goals and benchmarks which the CAE can incorporate in the DIA Strategic Plan, to provide a blueprint for advancing the department's capacity and effectiveness, and enhancing the proficiency of its staff.	The CAE concurs and will seek to implement the recommendation as stated including requiring IT audit related training for all staff beginning in 2022. It should be noted that the Competency Framework (CF) is a measurement of an individual's skill set and thus is best implemented as part of the performance management system. To ensure consistency in performance management, the CAE recommends adoption and approval by the AC. The CAE presented the CF for AC consideration in 2020 and will provide for consideration again in 2022.

Opportunities for Improvement Noted: DIA Management

Opportunities for Improvement Noted – For: DIA Management	DIA Management Response
Implementation Guide 2010: DIA Annual Planning – The DIA could enhance the annual planning process by redefining the "Audit Universe" to focus more on CC functions and processes. The current DIA annual planning process identifies the auditable entities within the audit universe at the County department and unit level. While the DIA planning process meets the requirements of the IIA *Standards*, it could be enhanced. The CAE could consider developing the audit universe so that it includes all functions, operations, processes, programs, and systems of the County. The universe should reflect County-wide and departmental operations, and program initiatives, and be defined in sufficient detail to ensure that key components of County operations are included. Given the depth and breadth of County activity, it is understood that developing this type of universe will require significant resources. Since DIA resources already appear insufficient, the CAE could consider outsourcing this task to a qualified third-party service provider. This approach would be especially advantageous where special expertise is required, particularly in developing the detailed IT portion of the universe. Outsourcing this effort should be needed only once, with the DIA maintaining the universe in subsequent periods. Taking this approach to defining the audit universe should provide a good basis to address the issue of completing the DIA annual plan identified earlier in this report.	. The CAE concurs with the recommendations, however as correctly stated, the ability to redefine the audit universe will require a significant work effort that far exceeds the resources currently available. The obtainment of additional resources is beyond the control of the CAE. It should be noted that continued use of the current audit universe is a viable option but may continue to result in large BVA variances for first time audits as well as larger engagement sizes. The reason for such is that the in-depth understanding usually gained and documented with the establishment of a functional/ process audit universe, must be gained on a per audit basis with use of a unit/ departmental audit universe.

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Implementation Guide 2050: Coordination and Reliance – Ensure appropriate oversight of operating risk is established throughout the County and that the results of the oversight is properly communicated to executive management and the AC. Although the CAE coordinates properly with the County external auditor, interviews indicate there are several groups within the County, at the operational level, providing assurance type services, and that external third parties are also retained by operating management to provide these services. As a result, there is a need to determine whether the "third line of defense" is providing proper oversight of all significant County operating risk. The CAE is responsible to ensure that County operating risk is properly assessed, and that if significant gaps in managing risk are identified, executive management and the AC are properly informed. In order to ensure County operating risk is appropriately monitored, the CAE could consider leading a project to identify internal and external service providers and conduct a risk mapping of the County to determine if there are gaps in monitoring County operational risk. It must be noted that risk mapping would require a commitment of resources beyond current DIA limits, and the CAE could consider requesting funds to retain the services of an external expert. The benefits of this project would be: • Improving the County's management and monitoring of risk • Increasing the DIA coordination with all internal and external service providers • Identifying gaps in monitoring risk • Identifying opportunities to leverage the work of other service providers to avoid duplication of efforts, and in meeting requirements of the annual plan • Ensuring significant issues are properly communicated to executive management and the AC • Assisting the DIA in the project to develop the audit universe as recommended in the prior observation Further, the CAE could consider requesting that executive management implement a County policy to have operating management inform the DIA when external contractors are retained to provide related services in order to keep the risk mapping current.	The CAE concurs with the recommendation and will work with Executive management to develop a comprehensive listing of assurance services and engagements performed within the County. DIA will continue to make inquiry, on a per audit basis, relative to the applicability and existence of assurance processes and adjust the audit scope accordingly. Risk mapping would allow DIA to more effectively adhere to the guidance of implementation guide 2050, however as stated such would require significant resources. The CAE will continue to advocate for the appropriate resources to support compliance with IPPF through the implementation of this and other recommendations in the report.

Attachment A

Attachment A
Conformance Rating Criteria

GC – "Generally Conforms" means the assessor has concluded the following:
- For individual standards, the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the IIA Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the IIA Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the IIA Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

PC – "Partially Conforms" means the assessor has concluded the following:
- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the IIA Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or IIA Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – "Does Not Conform" means the assessor has concluded the following:
- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the IIA Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the IIA Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

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