

1                   BEFORE THE BOARD OF COUNTY COMMISSIONERS

2                   FOR MULTNOMAH COUNTY, OREGON

3                   ORDINANCE NO. 660

4  
5 An Ordinance establishing an Audit Committee and Financial Audit Policy.

6  
7 Multnomah County ordains as follows:

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9 SECTION I.     This ordinance shall be known as the Multnomah County Audit  
10                 Committee ordinance.

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12 SECTION II.   FINDINGS

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14         (A) The Board of Commissioners has the responsibility for reviewing the  
15             fiscal activities of the County.

16         (B) The Board of County Commissioners and/or the executive officer of the  
17             County has the responsibility to ensure the County's financial  
18             records are audited on an annual basis pursuant to Oregon Revised  
19             Statutes (ORS) 294 and 297.

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21 SECTION III.   AUTHORITY AND RESPONSIBILITY

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23         (A) The Audit Committee is to serve as a liaison between the Board of  
24             County Commissioners, the independent external auditor, and  
25             management, as their duties relate to financial accounting,  
26             reporting, and internal controls and compliance. The Audit Committee

1 is to assist the Board of County Commissioners in reviewing  
2 accounting policies and reporting practices of Multnomah County as  
3 they relate to the County's Comprehensive Annual Financial Report.  
4 The Committee is to be the County's agent in assuring the  
5 independence of the County's external auditors, the integrity of  
6 management, and the adequacy of disclosures to the public. The  
7 Committee shall participate with management during the selection  
8 process of the external auditors.  
9

10 (B) The Audit Committee is to meet at least annually and as many times as  
11 the Committee deems necessary.  
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13 SECTION IV. DEFINITIONS  
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15 (A) "Agency" means the entity being audited. This can be the County  
16 overall, or a department, division, program, or fund. In certain  
17 cases, it can also include reporting entities operated solely outside  
18 of a County organization.  
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20 (B) "External Auditor" means the Certified Public Accountant (CPA) or  
21 accounting firm in charge of conducting the audit.  
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23 (C) "Audit" means the examination and evaluation of an agency's  
24 activities by the auditor to determine that financial operations are  
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1 properly conducted, that financial reports are presented in  
2 accordance with generally accepted accounting principles, and that  
3 the agency is in compliance with applicable laws and regulations.  
4 Additionally, audits may include the examination and evaluation of  
5 the overall adequacy of internal financial controls.  
6

7 (D) "Exception" means any audit finding requiring corrective action  
8 received as part of a final audit report, as well as any written  
9 recommendations and suggestions received from an auditor as the  
10 result of an audit.  
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12 (E) "Management" means Department or Division Manager.  
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14 SECTION V. AUDIT COMMITTEE MEMBERSHIP  
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16 (A) The membership of the Audit Committee shall be the following:  
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18 (1) County Chair or designee.  
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20 (2) One County Commissioner appointed by Chair.  
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22 (3) County Auditor. (Non-Voting Capacity)  
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24 (4) Independent citizen who is a CPA appointed by the Chair.  
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1 (5) Two independent citizens recommended by the Citizen Involvement  
2 Committee.

3  
4 (6) Department Director, Department of General Services (Non-Voting  
5 Capacity).

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7 (B) Each citizen member shall serve a three year term from the date of  
8 appointment. No citizen member may serve more than two consecutive  
9 terms.

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11 (C) Selection of the Audit Committee shall be designed to ensure the  
12 maximum degree of independence for the audit management process.  
13 Voting members must reside in Multnomah County.

14  
15 (D) Members of the Audit Committee shall have no monetary or investment  
16 interest in any matters concerning the selection of the external  
17 auditor.

18  
19 (E) Multnomah County employees and employees of any organization  
20 providing or bidding upon audit contract services to Multnomah County  
21 shall not be eligible for membership on the Audit Committee.

1 (F) The Committee shall elect or appoint a chairperson to preside at all  
2 meetings. The Chair's duties shall rotate annually, with no Chair  
3 presiding for more than one year in any term. The Audit Committee  
4 shall also designate a person as chair-elect to preside as vice-chair.  
5

6 SECTION VI. DUTIES  
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8 (A) The Audit Committee shall:  
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10 (1) Review, prior to the annual audit, the scope and general extent  
11 of the external auditor's planned examination, including their  
12 engagement letter.  
13

14 (2) Review with management and the external auditor, upon completion  
15 of their audit, financial results for the year prior to the  
16 presentation to the Board of County Commissioners. This review  
17 is to encompass:  
18

19 (a) The County's Comprehensive Annual Financial Report and  
20 Supplemental Disclosures required by Generally Accepted  
21 Accounting Principles (GAAP).  
22

23 (b) Significant transactions not a normal part of the County's  
24 operations.  
25  
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1 (c) Selection of and changes, if any during the year, in the  
2 County's accounting principles or their application.

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4 (d) Significant adjustments proposed by the external auditor.

5  
6 (e) Any disagreements between the external auditor and  
7 management about matters that could be significant to the  
8 County's financial statements or the auditor's report.

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10 (f) Difficulties encountered in performance of the audit.

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12 (g) Violations of Federal and State law, County Ordinance, and  
13 contractual agreements reported by the external auditor.

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15 (3) Request comments from management regarding the responsiveness of  
16 the external auditor to the County's needs. Inquire of the  
17 auditor whether there have been any disagreements with  
18 management that, if not satisfactorily resolved, would have  
19 caused them to issue a nonstandard report on the County's  
20 financial statements.

21  
22 (4) Review with the external auditor the performance of the County's  
23 financial and accounting personnel and any recommendations that  
24 the external auditor may have. Topics to be considered during  
25  
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1           this discussion include improving internal financial controls,  
2           controls over compliance, the selection of accounting  
3           principles, and financial reporting systems.  
4

5           (5) Review written responses of management to "letter of comments  
6           and recommendations" from the external auditor and discuss with  
7           management the status of implementation of prior period  
8           recommendations and corrective action plans.  
9

10          (6) Recommend to Board of County Commissioners revisions that should  
11          be made to the County's financial policies or internal controls.  
12

13          (7) Recommend to the Board of County Commissioners appropriate  
14          extensions or changes in the duties of the committee.  
15

16          (8) Selection of External Auditor:  
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18           (A) The selection of the external auditor shall be made  
19           according to Oregon Revised Statutes (ORS) and Multnomah  
20           County purchasing procedures, rules, and regulations  
21           concerning proper selection procedures.  
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1 (B) The Audit Committee shall procure a request for proposals  
2 for the external auditor at least every five years for the  
3 County's Comprehensive Annual Financial Report.  
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5 (C) The Audit Committee shall review the responses to the RFP  
6 and make a recommendation to the Board of County  
7 Commissioners on the selection of the external auditor.  
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9 SECTION VII. AUDIT POLICY  
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11 (A) Audit Initiation:  
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13 (1) A comprehensive financial audit shall be conducted yearly, shall  
14 include all Multnomah County funds, departments, divisions, and  
15 programs, and shall meet the legal requirements of a General  
16 Annual Audit as specified in ORS 297, an investment audit as  
17 required in ORS 294, and the single audit requirements of the  
18 Federal Government. This audit shall be conducted by an  
19 external auditor. This audit shall result in a Comprehensive  
20 Annual Financial Report for Multnomah County.  
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1 (B) Audit Methodology:

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3 (1) All financial audits shall be conducted in accordance with  
4 Generally Accepted Auditing Standards (GAAS), Generally Accepted  
5 Government Auditing Standards (GAGAS), Government Accounting  
6 Auditing and Financial Reporting Requirements (GAAFR), state and  
7 federal rules and regulations, and Audits of State and Local  
8 Government Units requirements established by the American  
9 Institute of Certified Public Accountants. The audit shall  
10 report that it was done in accordance with at least one of the  
11 above.

12  
13 (2) Where a financial compliance audit is performed, the audit shall  
14 state that the books and records were or were not kept in  
15 accordance with Generally Accepted Accounting Principles (GAAP).

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17 (C) Finance Division Responsibilities:

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19 (1) The Finance Director is responsible for managing the contract  
20 awarded to the external auditor selected under Section VI of  
21 this ordinance and is responsible for ensuring that the County's  
22 Comprehensive Annual Financial Report is published.

1 (D) Department Responsibilities:

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3 (1) When notified by the Finance Division, Department of General  
4 Services, that an audit has been initiated, the agency being  
5 audited shall make available all books and records requested by  
6 the external auditor. The agency shall cooperate with the  
7 external auditor to the fullest extent possible so that the  
8 audit may be completed as quickly and prudently as possible.  
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10 (E) Submission:

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12 (1) Final financial and audit reports shall be submitted to the  
13 Audit Committee for review. Appropriate department managers  
14 shall be invited to participate in the review and to respond to  
15 any exceptions noted in the audit. If further response is  
16 desired by the committee, the audit exception shall be referred  
17 to the department with a request for the additional response.  
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19 (2) Within 90 days of completion of the audit, the Audit Committee  
20 shall ensure that the final report is presented to the Board of  
21 County Commissioners.  
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1 (3) Upon presentation to the Board of County Commissioners, the  
2 audit will be considered complete.  
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4 ADOPTED this 16th day of August, 1990.

5  
6 By Gladys McCoy  
7 Gladys McCoy, Chair  
8 MULTNOMAH COUNTY, OREGON

9 REVIEWED:

10 Laurence Kressel  
11 Laurence Kressel, County Counsel  
12 of Multnomah County, Oregon

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