

SUMMARY: Amends Washoe County Code Chapter 15 related to audits.

BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE AMENDING WASHOE COUNTY CODE CHAPTER 15 (COUNTY FINANCES; PURCHASING) BY MODIFYING AND UPDATING LANGUAGE FOR AUDITS AND THE AUDIT COMMITTEE. THESE UPDATES INCLUDE CLARIFYING FUNCTIONS AND AUTHORITY FOR INDEPENDENT EXTERNAL AUDITORS; CHANGING THE APPROPRIATION OF MONIES FROM THE COUNTY MANAGER TO THE COMPTROLLER FOR AUDITS BY INDEPENDENT EXTERNAL AUDITORS; UPDATING REQUIREMENTS FOR AUDIT COMMITTEE MEMBERSHIP; CLARIFYING THAT THE COUNTY MANAGER SITS AS A NON-VOTING MEMBER; ADDING QUORUM REQUIREMENTS AND REASONS FOR A COMMITTEE MEMBER'S REMOVAL FROM THE AUDIT COMMITTEE; COMBINING AND MODIFYING SECTIONS ABOUT THE AUDIT COMMITTEE'S CODE OF ETHICS AND CHARTER; MODIFYING LANGUAGE RELATED TO THE AUDIT SCHEDULE; MODIFYING LANGUAGE RELATED TO AUDIT SCHEDULE; MODIFYING LANGUAGE RELATED TO SPECIAL AUDITS; MODIFYING LANGUAGE RELATED TO AN AUDITOR'S ACCESS TO RECORDS; MODIFYING LANGUAGE RELATED TO THE WRITTEN RESPONSE TO AN AUDIT; AND CHANGING AUDIT RETENTION FOR THREE YEARS INSTEAD OF PERMANENT RETENTION; AND ALL OTHER MATTERS NECESSARILY CONNECTED THEREWITH AND PERTAINING THERETO.

WHEREAS:

- A. This Commission desires to amend Washoe County Code Chapter 15 (County Finances; Purchasing) to update provisions regarding audits.
- B. The Washoe County Board of County Commissioners initiated the proposed amendments to Washoe County Code Chapter 15 on October 9, 2018.
- C. The amendments and this Ordinance were drafted in concert with the District Attorney's Office; and
- D. Following a first reading and publication as required by NRS 244.100(1), and after a duly noticed public hearing, this Commission desires to adopt this Ordinance; and

E. This Commission has determined that this ordinance is being adopted pursuant to requirements set forth in Chapter 278 of NRS, therefore it is not a "rule" as defined in NRS 237.060 requiring a business impact statement.

THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF WASHOE DO
ORDAIN:

SECTION 1. Section 15.540 of the Washoe County Code is hereby amended to read as follows:

Audits

15.540 County manager may hire independent external auditor for audits of appointed office, agency or department of Washoe County; board of county commissioners may hire independent external auditor for audits of elected office, agency or department of Washoe County; board required to make annual appropriation for audits; audit committee to review audits performed by independent external auditors.

1. The county manager may, when deemed necessary, hire private accountants/auditors or accounting/auditing firms to perform an audit of any appointed office, agency or department of Washoe County. Such hires are referred to as independent external auditors.

2. For each office, agency or department of Washoe County headed by an elected official, an independent external auditor may only be hired to conduct an audit at the direction of the board of county commissioners.

3. Audits performed by an independent external auditor may include, but are not limited to, the following:

(a) A review and appraisal of the soundness, adequacy and application of accounting, financial and other operating controls related to financial management presently in use.

(b) The extent of compliance with established laws, regulations, policies and procedures related to financial management.

(c) The extent to which assets of the county are accounted for and safeguarded from losses of all kinds.

(d) Recommendations of methods to revise or correct any deficiencies in the accounting, financial, or other operating controls related to financial management of the office, agency or department.

4. The board of county commissioners shall annually appropriate to the comptroller an amount of money estimated by the comptroller to be sufficient to pay for external audits

performed pursuant to subsection 1.

5. The audit committee will review the contents of all independent external audits on an annual basis.

SECTION 2. Section 15.545 of the Washoe County Code is hereby amended to read as follows:

15.545 Establishment of audit committee; composition; appointment and terms of service; officers; quorum; removal; county manager's responsibilities; charter and code of ethics; frequency of meetings.

1. An audit committee is hereby established. Composition. The committee shall consist of at least three voting members and one non-voting advisory member, as follows:

(a) One voting member will be appointed from the members of the board of county commissioners. An alternate member will also be appointed to serve in the absence of the primary appointee.

(b) At least two additional voting members will be appointed from the public. All public audit committee members shall possess understanding and experience in generally accepted accounting principles, financial statements, internal accounting controls, auditing of financial statements and audit committee functions. All public members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the county and shall not be an affiliated person with the county or any subsidiary thereof. Current and former Washoe County employees are not eligible for the audit committee as a public representative.

(c) The county manager will serve as a non-voting advisory member.

(d) The internal auditor will provide staff assistance to the audit committee.

2. Appointment and terms of service. All audit committee members shall be appointed by the board of county commissioners. All public members shall serve four-year terms, which expire on June 30th of their respective terms. Public members may serve, with reappointment, a maximum of two consecutive terms. An additional term may be considered for a member's appointment if there are no other interested and qualified applicants.

3. Officers. The audit committee shall elect from among its membership a chair, who shall act as presiding officer at meetings, and a vice-chair, who shall act in the absence of the chair. The chair and vice-chair shall each hold office for one year. It will be the responsibility of the chair, in consultation with the internal auditor, to schedule all meetings of the committee.

4. Quorum. The county manager does not count for purposes of a quorum. A simple majority of the total voting membership shall constitute a quorum for the transaction of business. Motions before the board require a majority vote of the voting members present at the meeting and voting for passage.

5. Removal. Public audit committee members serve at the pleasure of the board of county commissioners and may be removed by the board of county commissioners for cause.

6. County manager's responsibilities. The county manager shall ensure that the audit committee receives appropriate and necessary briefings relative to internal controls, preparation of financial reports, internal audit processes, governmental regulations, and other pertinent information relative to this appointment.

7. Charter and code of ethics. The audit committee shall adopt a charter, subject to the board of county commissioner's approval, establishing the purpose, scope, organization, and responsibilities of the committee. The audit committee shall receive information on financial reporting, internal controls, and the work of the internal auditor and independent external auditors and shall use this information to make recommendations to the board of county commissioners regarding the auditing schedule. The charter shall also include a code of ethics that promotes honest and ethical conduct. The charter shall be reviewed biennially and all updates shall be brought before the board of county commissioners for approval.

8. Frequency of meetings. The audit committee shall meet at least four times a year or more frequently as circumstances require.

SECTION 3. Section 15.550 of the Washoe County Code is hereby amended to read as follows:

15.550 Cooperation of county officers, employees and others receiving county funds.

Every elected and appointed county officer or employee and every department, agency, organization, association or individual receiving money appropriated by the board of county commissioners shall cooperate with and assist the internal auditor and/or any independent external auditor performing an audit. Such cooperation and assistance includes, but is not limited to, the furnishing of all information deemed necessary or desirable by the internal auditor and/or independent external auditor in performing the audit. The internal auditor and/or independent external auditor shall provide department heads, both elected and appointed, with a written audit plan to include the scope of and methodology used in performing the audit.

Audits that infringe on the statutory duties and responsibilities of elected officials shall not be conducted without the consent and approval of the elected official.

SECTION 4. Section 15.560 of the Washoe County Code is hereby amended to read as follows:

15.560 Audit schedule.

1. At least annually, the internal auditor shall submit a proposed single year audit schedule to the audit committee for its review and recommendation prior to submission to the board of county commissioners for the board's approval. The schedule shall include the departments, offices, boards, activities, business processes, subcontractors and agencies subject to audit for the next fiscal year period. Business processes include all administrative procedures that affect the efficient and effective use of county resources for the purpose of conducting the day-to-day business of the county; that are common to all departments; and that have a financial impact. Examples include, but are not limited to, purchasing practices, contract administration, workers' compensation, and similar types of functions. Not included are those processes and procedures specific to the statutory functions of elected officials that are required for them to carry out their duties and responsibilities.

2. The audit schedule may be amended with the approval of the board of county commissioners. However, the internal auditor may initiate special audits and/or studies not included in the audit schedule, upon approval by the county manager or the audit committee.

3. In selecting which departments, offices, boards, activities, business processes, subcontractors and/or agencies should be prioritized to receive an audit the following non-exclusive considerations should be evaluated:

- (a) the potential for savings or service improvements,
- (b) evidence of or substantive allegations of problems or wrongdoing, or
- (c) exposure to loss of county resources due to large expenditures or inherent program risk.

SECTION 5. Section 15.562 of the Washoe County Code is hereby amended to read as follows:

15.562 Special audits and studies. Subject to the provisions of section 15.550, the county manager may direct the internal auditor to perform special audits or studies that are not included in the audit schedule. After approval by the board of

county commissioners, a special audit requested by the county manager may become an amendment to the audit schedule.

SECTION 6. Section 15.566 of the Washoe County Code is hereby amended to read as follows:

15.566 Officers and employees to provide access to records and property. Each officer and employee of Washoe County shall provide the internal auditor and/or any independent external auditor with access to requested information and records deemed desirable to perform their auditing duties, and which are within the officer or employee's custody or control. Such information and records may relate to the powers, duties, activities, business processes, organization, property, financial transactions, contracts and methods of business of a department, office, board, subcontractor or agency. Each officer and employee of Washoe County shall also permit the auditor to inspect all property or assets under their control.

SECTION 7. Section 15.568 of the Washoe County Code is hereby amended to read as follows:

15.568 Departmental response to internal audit report and auditor review of compliance.

1. Once an internal audit is completed, a preliminary draft of the audit report will be forwarded to the audited department, office, board, activity, subcontractor or agency and the county manager for review, discussion, clarification, and comment regarding the report's factual content and alternative solutions to conflicts. The final draft of the audit report will include these clarifications and resolutions when applicable. Audit reports from the internal auditor will not include findings and recommendations regarding the specific statutory duties and responsibilities of elected department heads.

2. The audited department, office, board, activity, subcontractor or agency must respond to the internal audit report in writing, and must indicate agreement with the audit report's findings and recommendations or disagreement with the audit report's findings or recommendations and the reasons therefor. The response must be forwarded to the internal auditor within thirty calendar days.

3. The internal auditor will include the full text of the response in the final report to the board. If no response is received, the internal auditor will note that fact in the transmittal letter and will release the audit report. Any responses received after the thirty-day deadline shall be distributed to those who received the audit report.

4. The final audit report will be presented to the audit committee and then the board, along with a recommendation to accept the report and draft an implementation plan. An implementation plan will be submitted to the board within 90 days or as soon as practical after the board accepts the audit report. The implementation plan will be drafted by the affected department(s), with assistance from the internal auditor, and will include the department's approach to resolving the identified problems and the timetable to complete such activities.

5. The internal auditor shall follow-up on audit recommendations insofar as practical to determine if corrective action has been implemented.

6. The internal auditor may request periodic reports from audited entities regarding actions taken to address reported deficiencies and the status of the audit recommendations.

SECTION 8. Section 15.569 of the Washoe County Code is hereby amended to read as follows:

15.569 Audit Reports, records retention, and annual report to board.

1. Each audit conducted pursuant to this chapter will result in a written report.

2. The internal auditor shall submit each audit report to the audit committee for review prior to submission to the board of county commissioners. The internal auditor shall also retain a copy of each final audit report in their office for at least three years.

3. The internal auditor shall retain for at least three years, a complete file of each audit report and each report of other examinations, investigations, surveys and reviews, made under the authority of the board of county commissioners. The file shall include audit work-papers and other supportive material directly pertaining to the audit report.

4. The internal auditor shall submit an annual report to the audit committee for review prior to submission to the board of county commissioners which indicates audits completed, major findings, corrective actions taken, and significant findings which have not been fully addressed.

SECTION 9. Section 15.570 of the Washoe County Code is hereby amended to read as follows:

15.570 Report of irregularities. If during an audit, the internal auditor becomes aware of abuse or illegal acts or indications of such acts, the internal auditor shall report the

illegal acts or irregularities to the county manager, district attorney and/or appropriate law enforcement agencies.

SECTION 10. Section 15.572 of the Washoe County Code is hereby amended to read as follows:

15.572 Independent external auditors, consultants and experts. Upon approval of the audit committee or the board of county commissioners, the internal auditor may obtain the services of public accountants, qualified management consultants, or other professional experts necessary to assist the internal auditor in the discharge of his or her responsibilities. An audit performed by an independent external auditor must be conducted by persons who have no financial interests in the affairs of the governmental unit or its offices. The internal auditor will coordinate and monitor the work of consultants or experts performed under contract. [Business Impact Note: The Board of County Commissioners hereby finds that this ordinance does not impose a direct and significant economic burden upon a business, nor does it directly restrict the formation, operation or expansion of a business.

Proposed on the _____ day of _____, 2024.

Proposed by Commissioner _____.

Passed on the _____ day of _____, 2024.

Vote:

Ayes:

Nays:

Absent:

Chair
Washoe County Commission

ATTEST:

County Clerk

This ordinance shall be in force and effect from and after
_____, 2024.