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# External Quality Control Review

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of the  
Deschutes County  
Office of Internal Audit

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**  
for the period 7/1/2021 to 6/30/2024

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## Association of Local Government Auditors

October 3, 2024

Elizabeth Pape  
Deschutes County Internal Auditor  
1300 NW Wall St. Ste 206  
Bend, OR 97703

Dear Ms. Pape,

We have completed a peer review of the Deschutes County Office of Internal Audit for the period 7/1/2021 to 6/30/2024. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with Government Auditing Standards* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and a member of the Audit Committee.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Deschutes County Office of Internal Audit has received a rating of pass.

Based on the results of our review, it is our opinion that the Deschutes County Office of Internal Audit's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for engagements during the period 7/1/2021 to 6/30/2024.

We have prepared a separate letter providing findings and recommendations to further strengthen your internal quality control system.

Sincerely,

Larry Stafford, MBA, CIA, CGAP  
Clark County Auditor's Office

Jennifer Lim, CIA  
City and County of Denver  
City Auditor's Office



## Association of Local Government Auditors

October 3, 2024

Elizabeth Pape  
Deschutes County Internal Auditor  
1300 NW Wall St. Ste 206  
Bend, OR 97703

Dear Ms. Pape,

We have completed a peer review of Deschutes County Office of Internal Audit for the period 7/1/2021 to 6/30/2024 and issued our report thereon dated October 3, 2024. We are issuing this companion letter to offer certain findings and recommendations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- **High Quality Audits:** The audits we reviewed often addressed complex topics. The documentation showed they were well planned and executed. The reports were clear and concise. The high quality of the audit work is further reflected by the Office receiving a Knighton award in 2022 and 2023.
- **Skilled and Competent Auditors:** CPE records, interviews, and records of communications during audits highlight the dedication of auditors to become knowledgeable in the areas under audit.

We offer the following findings and recommendations to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Standard 3.18 requires auditors and audit organizations to be independent from the audited entity. The Deschutes County Code requires the Audit Oversight Committee to advise on and approve the audit schedule. County code also requires two members of the committee to be department heads and that they avoid voting on issues related to their departments. We reviewed minutes from committee meetings and did not identify any instances where this conflict of interest was noted. Still, this structure creates a potential threat to independence and risks a department head exerting undue influence. For example, advocating to divert audits away from functions for which they are responsible.

We suggest you develop a process to identify and advise the committee when there are agenda items involving audits or potential audits associated with committee member departments.

We extend our thanks to you, Aaron Kay, and the other officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Larry Stafford, MBA, CIA, CGAP  
Clark County Auditor's Office

Jennifer Lim, CIA  
City and County of Denver  
City Auditor's Office



**OFFICE OF  
INTERNAL AUDIT**

**Elizabeth Pape - County Internal Auditor**

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October 3, 2024

Larry Stafford  
Peer Review Team Leader  
Clark County Auditor's Office

Jennifer Lim  
Peer Review Team Member  
City and County of Denver  
City Auditor's Office

Dear Mr. Stafford and Ms. Lim,

I have reviewed your report dated October 3, 2024, containing the results of your external quality control review of the Deschutes County Office of Internal Audit. I am pleased you found the work performed from July 1, 2021, through June 30, 2024, was sufficient to pass compliance with the 2018 revision of the generally accepted government auditing standards.

The Deschutes County Office of Internal Audit is proud to follow national standards for government auditing. The standards provide assurances to the public that the office conducts its work professionally. Government audit offices nationwide – at the federal, state, and local level – are required by these standards to maintain systems of internal quality control and to have an external quality review once every three years. Successful completion of reviews, like this one, allows the Office of Internal Audit to state in each audit report that work conducted was in accordance with generally accepted government auditing standards. Each report meets the requirements for issues like auditor independence, due care, professional education, fieldwork, and audit reporting.

We are always looking for ways to further improve and are pleased to have your thoughtful comments about the areas where you found the office excels. We challenge ourselves to conduct relevant audits that drive change rather than sticking to a standard list of safe audits within our comfort zone.

We appreciate your observations and suggestions to further enhance the work being performed. Your recommendation will help the Office of Internal Audit establish stronger independence and continue to ensure that appropriate standards are met. We agree with your comments and plan to take action, as appropriate, to implement your suggestions. The following is a specific response to your comments.

- Standard 3.18 requires auditors and audit organizations to be independent from the audited entity.

County Code requires the Audit Committee to approve the annual audit plan. It also requires that two members of the committee are department heads and that they recuse themselves from decisions related to their departments. The peer review team noted that the decisions about the annual audit plan are related to departments and so department head members should recuse themselves from decisions about the annual plan.

This conflict never occurred to us before. It is great to get an outside perspective on opportunities for improvement. We are in the process of working with the committee on bylaws. As we conduct this work, we will make the Audit Committee aware of this potential conflict and hopefully highlight the need for recusals in the bylaws.

I extend my personal thanks to both of you for participating in the peer review process and your organizations for allowing you to take the time to review Deschutes County's Office of Internal Audit. I also thank Lyndon Remias, City Auditor for the City of Virginia Beach, who helped coordinate this peer review on behalf of Association of Local Government Auditors (ALGA). I found the review process to be a valuable and constructive process. I appreciate the review team's professionalism and thoroughness in conducting the review. I will share your report with the Audit Committee, County Administrator, and Board of County Commissioners and make it available to the public and the media.

Sincerely,



Elizabeth Pape  
County Internal Auditor