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STATE OF NEVADA
COUNTY OF WASHOE

ss: Julia Ketcham

Being first duly sworn, deposes and says: That as the legal clerk of the Reno Gazette-Journal, a daily newspaper published in Reno, Washoe County, State of Nevada, that the notice referenced below has published in each regular and entire issue of said newspaper between the dates: **11/21/03 - 11/28/03**, for exact publication dates please see last line of Proof of Publication below.

Subscribed and sworn to before me

Signed: *Julia Ketcham*

DEC 3 2003


TANA CICCOTTI
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 02-73259-2 - Expires May 16, 2006
Tana Ciccotti

Proof of Publication

NOTICE OF ADOPTION WASHOE COUNTY ORDINANCE NO. 1222 NOTICE IS HEREBY GIVEN THAT: Bill No. 1402, Ordinance No. 1222 entitled AN ORDINANCE AMENDING THE WASHOE COUNTY CODE BY ESTABLISHING THE AUDIT COMMITTEE; PROVIDING FOR THE COMMITTEE'S MEMBERSHIP AND DUTIES; PROVIDING FOR THE WRITING, SUBMISSION, REVIEW AND APPROVAL OF AUDIT REPORTS; PROVIDING FOR THE MANNER OF AUDITING DEPARTMENTS HEADED BY ELECTED OFFICIALS; REVISING PROVISIONS RELATED TO CONTRACTED FOR AUDITS; PROVIDING FOR THE SUBMISSION OF AUDIT SCHEDULES TO THE AUDIT COMMITTEE; ESTABLISHING A PROCESS FOR AUDIT IMPLEMENTATION PLANS AND OTHER MATTERS PROPERLY RELATING THERETO. was adopted on November 12, 2003 by Commissioners Galloway, Humke, and Shaw. Commissioners Sferrazza and Weber were absent. This ordinance shall be in full force and effect from and after November 28, 2003. Typewritten copies of the ordinance are available for inspection by all interested persons at the office of the County Clerk, 350 South Center Street, Suite 100, Reno, Nevada. AMY HARVEY, Washoe County Clerk and Clerk of the Board of County Commissioners No.142859 Nov 21, 28, 2003

SUMMARY: An ordinance amending Washoe County Code by establishing the audit committee; providing for the committee's membership and duties; providing for the writing, submission, review and approval of audit reports; providing for the manner of auditing departments headed by elected officials; revising provisions related to contracts for audits; providing for the submission of audit schedules to the audit committee; establishing a process for audit implementation plans and other matters properly relating thereto.

BILL NO. 1402

ORDINANCE NO. 1222

AN ORDINANCE AMENDING THE WASHOE COUNTY CODE BY ESTABLISHING THE AUDIT COMMITTEE; PROVIDING FOR THE COMMITTEE'S MEMBERSHIP AND DUTIES; PROVIDING FOR THE WRITING, SUBMISSION, REVIEW AND APPROVAL OF AUDIT REPORTS; PROVIDING FOR THE MANNER OF AUDITING DEPARTMENTS HEADED BY ELECTED OFFICIALS; REVISING PROVISIONS RELATED TO CONTRACTS FOR AUDITS; PROVIDING FOR THE SUBMISSION OF AUDIT SCHEDULES TO THE AUDIT COMMITTEE; ESTABLISHING A PROCESS FOR AUDIT IMPLEMENTATION PLANS AND OTHER MATTERS PROPERLY RELATING THERETO.

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

SECTION 1. Section 15.564 of the Washoe County Code is hereby repealed.

SECTION 2. Chapter 15 of the Washoe County Code is hereby amended by adding thereto a new section 15.545 to read as follows:

15.545 Establishment of audit committee.

1. An audit committee is hereby established. The committee shall consist of three voting members and one non-voting advisory member. Voting members are appointed by the board of county commissioners.

(a) One member will be appointed from the board of county commissioners for a one-year term. An alternate member will also be selected to serve in the absence of the primary appointee.

(b) Two members with appropriate expertise will be appointed from at-large with staggering two-year terms (for the first appointment, one member will serve for one-year and the second member will serve for two-years. Each subsequent appointment thereafter will be for two years).

(c) The county manager, or designee, will serve as a non-voting advisory member. The internal auditor will provide staff assistance to the audit committee.

2. The board of county commissioners shall appoint one member of the audit committee to be the chairperson. It will be the

responsibility of the chairperson to schedule all meetings of the committee and to provide the committee members with a written agenda for each meeting.

3. At least one voting member of the audit committee shall be a financial expert with understanding and experience in generally accepted accounting principles, financial statements, internal accounting controls, auditing of financial statements, and audit committee functions. Audit committee voting 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.

4. The county manager will be responsible for ensuring that the audit committee receives appropriate and necessary briefings and training relative to internal controls, preparation of financial reports, internal audit processes, governmental regulations, and other pertinent information relative to this appointment.

5. The audit committee shall adopt a code of ethics that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable governmental rules and regulations.

6. 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. As a minimum, the audit committee shall provide oversight for financial reporting, internal controls, and the work of the internal auditor and external auditors. The charter shall be reviewed annually and all updates shall be brought before the board of county commissioners for approval.

7. The audit committee shall meet at least four times a year or more frequently as circumstances require.

SECTION 3. Chapter 15 of the Washoe County Code is hereby amended by adding thereto a new section 15.569 to read as follows:

15.569 Reports and records.

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 and shall retain a copy in his office as a permanent record. A copy shall be filed with the county clerk.

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 within thirty calendar days after the fiscal year is completed indicating audits completed, major findings, corrective actions taken, and significant findings which have not

been fully addressed.

SECTION 4. Section 15.540 of the Washoe County Code is hereby amended to read as follows:

15.540 County manager may contract for audits; board required to make annual appropriation for audits.

1. The county manager may, when deemed necessary, enter into contracts with private accountants or accounting firms for the performance of an audit of any appointed office, agency or department of Washoe County subject to approval of the audit committee. For departments headed by elected officials, audits may only be performed at the direction of the board of county commissioners. Those contracts shall provide for payment to the accountant or accounting firm to be made for work performed on an hourly basis. Audits performed pursuant to those contracts 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.

2. The board of county commissioners shall annually appropriate to the office of the county manager an amount of money estimated by the county manager to be sufficient to pay for audits performed pursuant to subsection 1.

3. The audit committee will review the performance of all contracted accountants and accounting firms on an annual basis.

SECTION 5. 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 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 any accountant or accounting firm performing an audit under contract with the county. Elected officials may choose for their respective departments whether to be audited in those areas that impact statutory duties and responsibilities. Such cooperation and assistance includes, but is not limited to, the furnishing of all information deemed necessary or desirable by the internal auditor and accountant or accounting firm in performing the audit. The internal auditor and any accountant or accounting firm under contract with the county shall provide department heads, both elected and appointed, with a written plan

of audit to include scope and methodology. 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 6. Section 15.560 of the Washoe County Code is hereby amended to read as follows:

15.560 Audit schedule.

1. At the beginning of each fiscal year, the internal auditor shall submit a three-year audit schedule to the audit committee for review prior to submission to the board of county commissioners for review and comment. The schedule shall include the departments, offices, boards, activities, business processes, subcontractors and agencies subject to audit for the period after review with the board of county commissioners. 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 and are common to all operating departments and have a financial impact. Examples include, but are not limited to, purchasing practices, contract administration, workers' compensation, and similar type 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. This schedule may be amended during the period after review with the board of county commissioners. The internal auditor may initiate audits not included in the audit schedule, upon approval by the county manager and the audit committee.

2. In the selection of audit areas, the determination of the priority of the departments, offices, boards, activities, business processes, subcontractors and agencies to be audited shall be based upon but not limited to the potential for savings or service improvements, evidence of or substantive allegations of problems or wrongdoing, or exposure to loss of county resources due to large expenditures or inherent program risk.

SECTION 7. 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 of this chapter the county manager may direct the internal auditor to perform special audits or studies that are not included in the annual audit schedule. After approval by the audit committee or the board of county commissioners, a special audit requested by the county manager may become an amendment to the annual audit schedule.

SECTION 8. Section 15.566 of the Washoe County Code is hereby amended to read as follows:

15.566 Access to records and property. All officers and employees of Washoe County shall furnish the internal auditor and any accountant or accounting firm under contract with the county

access to requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties and permit the auditor to inspect all property or assets under their control.

SECTION 9. Section 15.568 of the Washoe County Code is hereby amended to read as follows:

15.568 Agency response and auditor review of compliance.

1. A preliminary draft of the audit report will be forwarded to the audited department, office, board, activity, subcontractor or agency and then the county manager for review, discussion, clarification, and comment regarding 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. The audited department, office, board, activity, subcontractor or agency must respond in writing specifying agreement with audit findings and recommendations or reasons for disagreement with findings or recommendations. The response must be forwarded to the auditor within thirty calendar days. 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. In the case of contracted audits, audit reports may be released without inclusion of a response. Any subsequent responses shall be distributed to those who received the audit report. The final audit report with the departmental responses will be presented to the board with the recommendation to accept the report with the provision that an implementation plan will follow. 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 jointly drafted by internal audit and the affected departments and will include the department's approach to resolving the identified problems and the timetable to complete such activities.

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

3. 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 10. 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 district attorney and appropriate law enforcement agencies.

SECTION 11. Section 15.572 of the Washoe County Code is hereby amended to read as follows:

15.572 Contract 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 responsibilities. An audit that is performed by contract 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 auditing 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 28th day of OCTOBER, 2003.
Proposed by Commissioner SFERAZZA:
Passed on the 12th day of NOVEMBER, 2003.

Vote:

Ayes: HUMKE, SHAW & GALLOWAY

Nays: (NONE)

Absent: SFERAZZA & WEBER

David E. Parker

Chairman
Washoe County Commission

ATTEST:

Lancy L. R. Chief Deputy
County Clerk

This ordinance shall be in force and effect from and after the 28th day of NOVEMBER, 2003.