



KING COUNTY AUDITOR'S OFFICE

Survey of Internal Control

This survey was conducted to determine the existence, design, and implementation of internal control in county agencies, including departments, major divisions, and offices headed by separately elected officials. The purpose of internal control is to provide a set of tools that assist managers and departments in operating effectively and efficiently, while reducing the risk of serious problems such as overspending, operational failures and violations of law.

Overall, the survey responses indicate that county agencies have established and are utilizing a range of internal control practices. However, follow-up with select agencies showed that actual practices varied in depth. We recommend re-establishing the Executive Audit Committee and updating or developing policies, procedures, guidelines and other tools to assist county offices in strengthening their internal control systems.

We also conducted a separate survey of agencies' information technology (IT) controls. The results of the IT survey identified areas that could be improved, such as conducting risk assessments, monitoring system software access, and developing and testing service continuity and contingency plans. We expect that county agencies' IT control practices will improve as they become more familiar with recently established IT policies and tools and guidelines developed by the county's Office of Information Resource Management (OIRM).

Audit Scope and Objectives

We conducted two internal control surveys. One focused on general internal controls and the second addressed information technology (IT) controls. We issued the general survey to 33 county agencies and issued the IT survey to 19 county agencies. We received responses from all surveyed agencies.

The primary objectives of the surveys were to determine whether King County had established policies defining responsibility for internal control; evaluate the current state of both general internal control and internal control for information technology systems based on county agencies' self-assessments; and compare county practices to practices identified in current literature.

Results

General Internal Control

Based on the survey results, county agencies generally have positive perceptions of their internal control practices. However, we followed up several agencies' responses to five survey questions to conduct a limited verification of the survey results. The follow up suggested that actual internal control practices varied across the agencies.

One reason for the variation was the lack of central guidance and standards, which could promote consistency in internal control practices and enhance management's awareness of effective internal control practices. Although no clear guidance is currently available, there is an existing county policy that establishes an Executive Audit Committee. One of the committee's purposes is to strengthen the

county's internal control environment. However, the committee has not met regularly in recent years.

Information Technology Internal Control

The survey of information technology controls identified some areas that need improvement. In fact, some responses to the survey questions were lower than expected, given the well-formulated county policies and guidelines that have been established in recent years. While the Office of Information Resource Management (OIRM) has provided extensive guidance to county agencies in adopting many of the practices addressed in our survey, the survey results showed that improvements could still be made in areas such as assessing risks to information systems, monitoring system software access, and developing and testing service continuity and contingency plans.

We noted that county agencies' practices are likely to improve as they become more familiar with recent county policies on information technology controls and with the tools and guidelines provided by OIRM.

Recommendations and Conclusions

We recommend that the County Executive reactivate the Audit Committee policy and develop tools and guidelines to strengthen the county's internal control environment.

Executive Response

The King County Executive concurred with the report conclusions and recommendation.