



External Quality Control Review

of the
Hanover County, Virginia
Internal Audit Department

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period
January 1, 2011 through December 31, 2013



Association of Local Government Auditors

April 10, 2014

F. Michael Taylor, CPA, CIA
Director of Internal Audit
797 County Complex Road, Room 203
Hanover, Virginia 23069

Dear Mr. Taylor,

We have completed a peer review of the Hanover County Internal Audit Department for the period January 1, 2011 through December 31, 2013. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audits and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

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.

Based on the results of our review, it is our opinion that the Hanover County Internal Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the period January 1, 2011 through December 31, 2013.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.


John H. Sanderlin, Jr.
City Auditor
City of Norfolk, VA


Germaine F. Brewington
Director of Audit Services
City of Durham, NC



Association of Local Government Auditors

April 10, 2014

F. Michael Taylor, CPA, CIA
Director of Internal Audit
797 County Complex Road, Room 203
Hanover, Virginia 23069

Dear Mr. Taylor,

We have completed a peer review of the Hanover County Internal Audit Department for the period January 1, 2011 through December 31, 2013 and issued our report dated April 10, 2014. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

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

- The Hanover County Internal Audit function is a high performing team; albeit they are a staff of only 2.5 full time equivalent staff. The staff have developed a series of templates for their audit program, audit plan and test plan that help to ensure they are effective and efficient in their daily operation in complying with government auditing standards.
- The Internal Audit staff value training and allocate resources to ensure staff remain current with their continuing professional education requirements. Their commitment to training ensures they are in compliance with professional standards.
- The standardization of the audit process and a transition by the staff to electronic work papers has enabled the Hanover County Internal Audit staff to be a highly performing team.
- The Internal Audit Director of Hanover County is well respected in his profession. He has created a small staff of professionals who are motivated and well trained in Yellow Book standards.

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

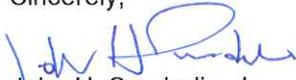
- GAGAS 3.82(b) requires audit organizations performing audits in accordance with GAGAS to have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years. Similarly, GAGAS 3.96 states the audit organization is to obtain an external peer review at least once every 3 years that is sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards.

There was a gap in the peer review coverage from July 1, 2008 to December 31, 2010. Hanover County's peer review should have taken place by March 31, 2012 (its prior reporting period ended June 30, 2008). The deadline passed prior to the hiring of the current Audit Director. The Director of Internal Audit at that time determined that staff turnover and resource limitations made it impossible to comply with this requirement, and communicated this to ALGA.

We recommend that the Internal Audit Department ensures going forward an external peer review is conducted every three years.

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

Sincerely,



John H. Sanderlin, Jr.
City Auditor
City of Norfolk, Virginia



Germaine F. Brewington
Director of Audit Services
City of Durham, NC

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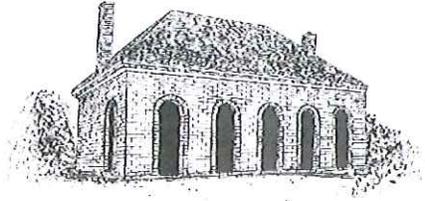
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APRIL 10, 2014

Mr. John Sanderlin
City Auditor
Norfolk, Virginia

Dr. Germaine Brewington
Director, Audit Services Department
Durham, North Carolina

Mr. Sanderlin and Dr. Brewington,

On behalf of the entire staff of Hanover County Internal Audit, thank you for the time and effort that you have given to us by assessing our compliance with *Government Auditing Standards*. We also appreciate the oversight provided by Paul Geib who coordinated our peer review and the entire Peer Review Committee of the Association of Local Government Auditors (ALGA) who work hard to provide independent teams to review local government audit organizations.

We are very pleased that you have concluded that our office is in compliance with *Government Auditing Standards* and have determined that our internal quality control system is suitably designed and operating effectively. Your management letter comments that recognize areas where you believe our office excels is much appreciated. We also appreciate your observation of an area where we can improve our compliance with *Government Auditing Standards*. We concur with your observation and have a plan for corrective action.

Observation: *Government Auditing Standards* require a peer review every three years. This office should have had a peer review by March 31, 2012, but did not have the review until April 2014.

Action Plan: We are committed to maintaining an office that fully complies with *Government Auditing Standards*, including the requirement for a peer review every three years. Our plan is to participate in ALGAs peer review program. We will have a peer review on the required schedule and we will provide reviewers for peer reviews of other ALGA member organizations.

Sincerely,

F. Michael Taylor, CPA, CIA
Director of Internal Audit