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October 17, 2011

Privatization Advisory Committee
12 E. Church
Frederick, MD 21701

Honorable Members of the Privatization Advisory Committee:

The Association of Local Government Auditors (ALGA) is a professional organization committed to supporting independent performance auditing in local governments such as Frederick County, Maryland. We recently learned that your Committee is considering outsourcing the County's internal audit function. I am writing to encourage you to retain your in-house, independent performance audit function.

While outsourcing for audit resources makes sense when specialized skills are required, in-house audit functions provide many advantages over outsourcing, including:

- Lower costs per audit hour
- Greater familiarity with internal operations
- Continuity of review and oversight
- Quicker response to requests

Compliance with established standards gives assurance that audits are supported by proper evidence and performed by auditor's that are:

- Independent
- Competent and have appropriate technical knowledge
- Adequately supervised

The most recent ALGA peer review of the quality control system at the Frederick County Auditor's Office found the system to be designed suitably and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements.

Additionally, the last two peer reviews identified areas where the Frederick County Internal Audit Division excels, including:

- The quality control system used to ensure compliance with Government Auditing Standards, including documentation with work paper documentation requirements, is very thorough
- The division employs competent and qualified staff
- Audit reports are concise and well written

Attached is additional information that you might find useful. We also welcome you to view information available about ALGA on the website at www.governmentauditors.org.

If you would like additional information or to schedule a presentation to your Committee by one of our members, please contact me at 214-670-3222 or craig.kinton@dallascityhall.com, or Umesh Dalal, City Auditor, Richmond, Virginia at 804-646-5616.

Respectfully,

Craig Kinton, Chair
Advocacy Committee

Attachment

C: Ross Tate, President

How do you keep out of harm's way?
Employ an independent performance auditor! Proactively preventing problems is what they do best.

Independent performance auditors:

- Possess knowledge about organizational business activities, which is critical in providing high-quality audit services.
- Provide an immediate resource to assist in crisis situations.
- Help prevent and handle fraud-related issues.

Who We Are

The Association of Local Government Auditors was formed in 1989 and has enjoyed a growing membership. More than 1,800 members from over 300 organizations, primarily in the United States and Canada, represent a diverse range of audit organizations in local government.

ALGA represents member organizations ranging in size from one-person shops to those with hundreds of employees.

We encourage associate memberships for auditors working in state and federal organizations, as well as private auditing firms.

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08/06

Association of Local Government Auditors

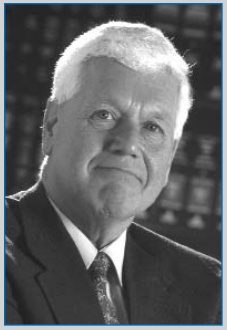
Improving the Quality of Local Government Auditing

Why Your Organization Should Have an Independent Performance Audit Function

Taxpayers Deserve Accountability

Why Should Your Organization Establish an Independent Audit Function?

- Enhance accountability to taxpayers and bondholders.
- Build credibility with citizens.
- Help ensure that public funds are spent only in the public interest.
- Help to earn and increase taxpayer confidence and respect for government.
- Provide an independent and objective perspective so that your decisions to expend public funds involve balanced and extensive information.
- Report audited results and outcomes of programs and services.
- Identify and discourage fraud through special reviews and presence in the organization.
- Verify compliance with policies, procedures, laws and regulations.
- Identify risk.
- Proactively prevent problems by evaluating controls through regular reviews of organizational activities.
- Review and appraise reliability of financial and operating information.



"An in-house audit department is the RIGHT decision to make, especially in the long run."

Audit work can lead to new revenue, cost recovery, and economic impact well beyond the audit department's annual budget.

If structured and staffed appropriately, an independent performance audit department can be extremely effective and productive.

The Benefits of Employing Independent Performance Auditors vs. External Consultants

Independent performance auditors are:

- More economical (in-house auditors cost less per hour).
- Familiar with internal operations (no organizational learning curve).
- Quicker to respond to requests.
- Available to provide continuity of review and oversight.
- Available to follow up on recommendations and implementations.
- Committed to long-term improvements within the organization.

To find out more about how to establish your own effective performance audit function, contact us:

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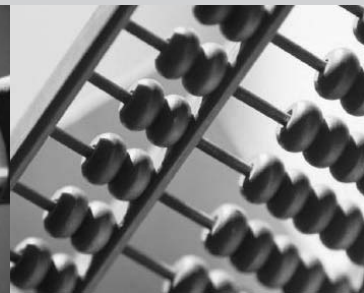
Auditors can intercept *emerging concerns* before they become COSTLY to you, your government and taxpayers.