

# *The Audit Process*

*What you can expect*



LAURA DOUD

***The following information is intended to provide clarity regarding the audit process and expected communication. While each audit can differ, it is the intent of this Office to meet these expectations. If changes to the audit process or expected communication become necessary, the Office will provide notice to the Department. If at any time during the process, the Department has questions or concerns, please contact the Performance Audit Manager in charge of the project.***

## Selecting Audits

See the Office’s Reports in Progress at: CityAuditorLauraDoud.com

This Office selects projects using a risk-based approach focusing on financial, operational and public needs. Projects are based on specific objectives, which are deemed important and can add value to the City. Due to limited resources, we must remain flexible and prioritize issues as they arise, which includes work such as fraud hotline investigations and requests for assistance from City Management or Elected Officials.

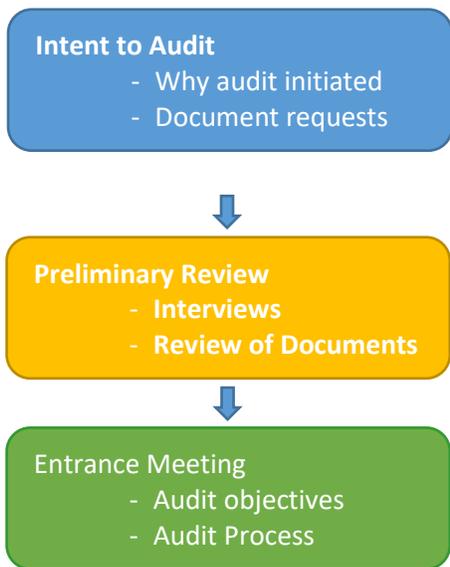
## Performance Audits

Performance audits, such as those performed by this Office, focus on processes surrounding the use and protection of City assets. This differs from strictly financial, grant or compliance audits, which focus more on the transaction than the process. Our sole purpose with our audits is to help identify improvements in operations that result in our City being more transparent, efficient and financially sound. It is not our goal to embarrass management, as we are committed to a better City and hope to work collaboratively with management to get the best results. One of the major keys to a successful audit is open, honest and frequent communication. It is our commitment to keep management aware of the project’s status, discuss issues as they arise, and work together towards identifying a solution.

We understand that a Department’s mission is to deliver services and that ensuring adequate controls are in place is not always a priority. For that reason, we attempt to align audit recommendations as closely with Department business objectives as possible. In an era of tight budgets and limited staff, we strive to ensure our recommendations are realistic and do not place additional burdens on the Department, but at the same time ensure the City’s scarce resources and assets are protected.

It is our desire to form a collaborative working relationship with the Department recognizing that our Office can be used as a resource to help management meet their business objectives. Working together, we can target known problem areas, while providing an independent and objective assessment of processes, related financial value and possible solutions.

## Initiation of the Audit



- **Intent to Audit Notification**  
The Department receives an *Intent to Audit Notification* that includes why the audit is occurring, the audit staff assigned, a request for preliminary documents and description of next steps.
- **Preliminary Review**  
The audit team reviews documents and performs interviews to gather information needed to establish specific audit objectives and a final audit plan. This generally takes four to six weeks.
- **Entrance Meeting**  
A meeting with the department is scheduled to discuss the audit objectives and expectations. Attendees should include those departmental employees who have the most knowledge about the area under review. The person with the most knowledge should be designated the official contact person for the audit.

The role of the contact person would include:

- Coordinator of interviews and document requests
- Primary person communicating audit issues internally within the Department.
- Attendance at the closeout meeting where audit results are discussed.

Topics expected to be discussed at the Entrance Meeting include, but are not limited to, the following:



## **Fieldwork**

Work performed by the audit team to meet the project objectives is referred to as fieldwork. During this phase, additional documents, interviews and site visits will be requested. We will always attempt to minimize our effect on Department daily operations. This includes compiling questions and requests so that they are kept at a minimum, versus daily questions or contacts.

### ***Document & Interview Requests***

#### **❖ Existing Documentation**

If requested data and/or documents do not exist, please do not attempt to generate the information without discussing with us first. We will work with you to determine if there are reasonable alternatives to obtain the information or ways to minimize the work.

#### **❖ Interviews**

Interviews are with both City and externally-related parties, such as contractors and consultants. Interviews with staff are normally conducted without supervisors present to encourage open and honest communication. If the Department objects to interviews without supervisory presence, this restricted access requires notation in our final report.

#### **❖ Timing**

Due dates are given with all information requests. If you are unable to meet the due date, please contact us with a proposed timeline for delivery. Continued delays or restrictions to information require notation in the final report in certain circumstances.

#### **❖ Management Representation Letters**

Employees may be asked to sign a Management Representation Letter if documentation is limited and if most of the audit evidence is obtained through interviews. This Letter states all known information related to the audit has been disclosed and is true and correct.

### ***Document Review***

#### **❖ Review of documents offsite**

We perform as much of the test work in our Office as possible to minimize the disruption to the Department. This includes the review of original files. When agreed that original documents will be removed from the site for review, we will provide the contact person a listing of all documents in question. While the files are in our possession, we may retain copies for our workpapers.

#### **❖ Review of documents onsite**

On occasion, it is more practical to examine documents at the Department site. When this is the case, we will work with the Department to find a suitable working area and limit the number of staff and time spent on site as much as reasonably possible.

### Communication

Audit status updates will be provided to the Department's contact person and will include:

- discussing identified issues and obtaining feedback from the Department;
- timing issues;
- outstanding document/information requests; and
- verification that key points have been communicated to appropriate Department personnel.

The manner in which the updates are provided (verbally, emails, meetings, etc.) is decided upon at the Entrance Meeting.

### Reporting

Once fieldwork is completed, our Office will draft a report that outlines the results previously discussed with the Department. Over the next five weeks, this Office completes a quality control process while drafting the report. During this time, all work is reviewed to ensure it is presented accurately in the report and that documentation meets Generally Accepted Government Auditing Standards.

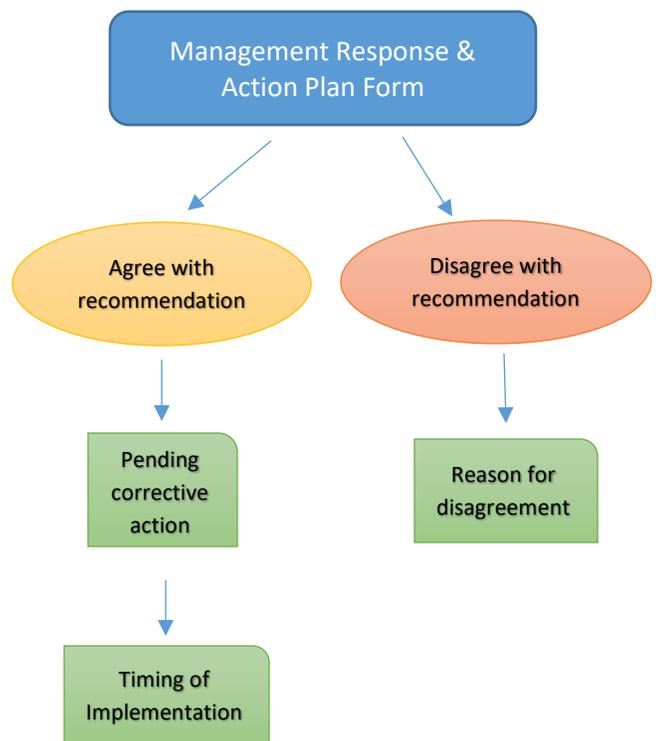
- **Closeout Meeting**

Once the quality control process and draft report are complete the draft report will be distributed to the Department and a meeting will be scheduled approximately a week later to discuss the report with Department personnel. Attendees of the meeting should include the Department's audit contact person and staff responsible for addressing the audit recommendations. The Department should thoroughly review the draft report prior to the meeting and be prepared to discuss any concerns. We want to reiterate that information presented at the meeting is a repetition of that already communicated previously with the Department's audit contact person. Significant new information is not expected to be raised at that time from either the audit team or Department personnel.

- **Management Response**

Management is given the option of providing a response to the findings in the audit report. Department responses must be prepared using the Management Response & Action Plan Form. The Form will accompany the draft audit report and require the Department to indicate whether it agrees with the recommendation and the corrective action to be taken, or that it disagrees and the reason why. Depending on the nature of the disagreement, the Office may elect to issue a rebuttal to clarify evidence or explain issues discussed in the report. This rebuttal will be included with the final audit report. A response from management on the rebuttal will not be initiated.

Responses that are provided in formats other than the Management Response & Action Form will not be included with the final audit report. The information in the Form will be used to monitor recommendations going forward. The Office will periodically perform status reviews of open recommendations and publish results which will be available to the public.



# 3 Weeks

- **Timing of Management Responses**

The City Manager has agreed that management responses will be delivered in final format within three weeks of presentation of the draft audit report. If responses are not received within three weeks, the report will be finalized with the notation of "management comments are pending." Extensions beyond three weeks will only be granted due to unforeseen situations which may occur.

- **Report Changes**

If, after reviewing the draft audit report, the Department has concerns, please contact the Performance Audit Manager in charge of the audit to discuss. The Office may elect to make changes to the draft report if the proposed changes provide more clarity or corrects a factual inaccuracy. It would be highly unlikely at this point that changes to particular recommendations would be made. For that reason, minor changes to the report would not result in an extension to the deadline for management responses.

- **Report Distribution**

Once the report is finalized, a final copy is returned to the Department along with the City Manager or presiding board/commission, the Mayor and City Council. It is at the discretion of the City Auditor to determine how an audit report will be distributed. Normally, all audit reports are made available on the Office website [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com).

## Audit Standards

This Office follows Generally Accepted Government Auditing Standards which provide a framework for conducting audits with competence, integrity and objectivity. Audit organizations following these Standards require an independent peer review every three years to ensure work adheres to established policies and procedures. The Office's most recent peer review was in June 2018, and the Office was shown to have the highest possible standards of performance in government auditing. This distinction assures the public that the Office provides fair reviews of City operations and spending.

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