

# *The Audit Process*



*Independence you can rely on*

***This information is to provide clarity on the audit process and expected communication. Our Office will provide notice to the Department if there are any changes to the audit process. If the Department has questions or concerns at any time, please contact the auditor in charge of the project.***



## Selecting Audits

See our Office’s Reports in Progress at [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com)

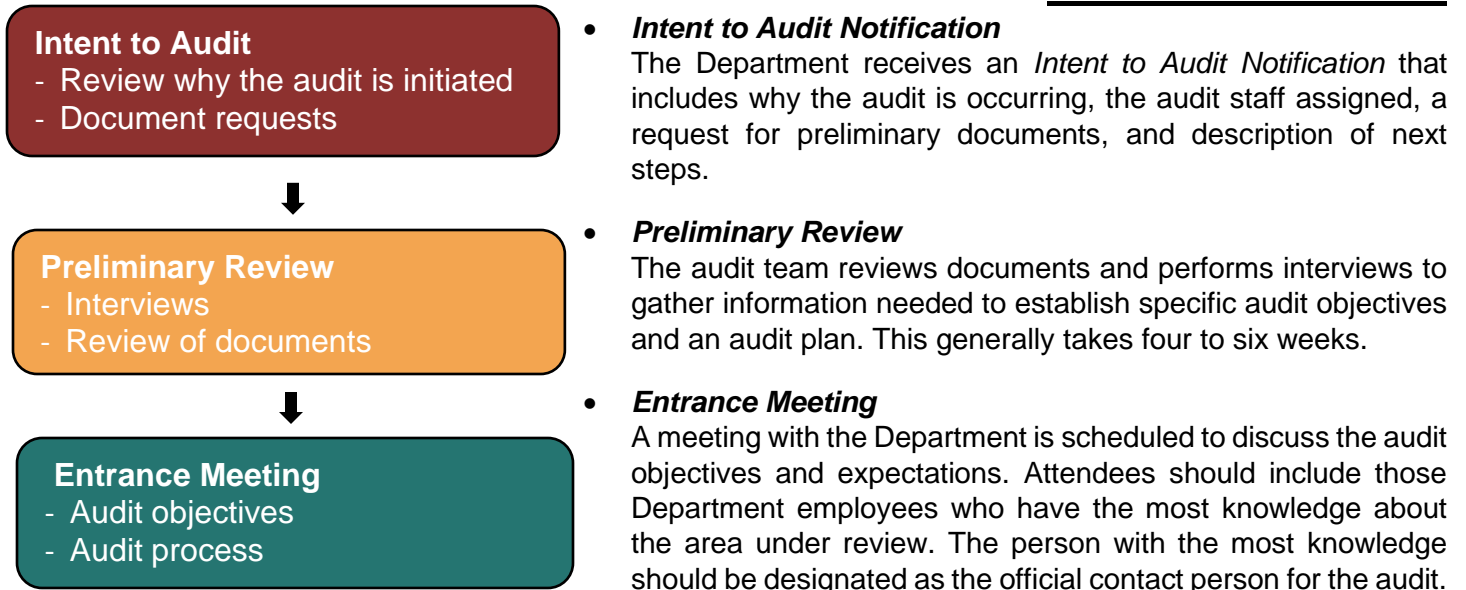
Our Office selects projects using a risk-based approach focusing on financial, operational, and public needs. Projects are based on specific objectives, which are deemed important and can add value to the City. Due to limited resources, we remain flexible and prioritize issues as they arise which may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

## Performance Audits

Performance audits focus on processes surrounding the use and protection of City assets and identifying improvements in operations that result in our City being more transparent and financially sound. This differs from strictly financial, grant, or compliance audits, which focus more on the transaction than the process. We are committed to making Long Beach better and aim to work collaboratively with City Management to get the best results. A key part to a successful audit is open, honest, and frequent communication. It is our commitment to keep City Management aware of the project’s status, discuss issues as they arise, and work together towards identifying a solution.

We aim to form a collaborative working relationship with the Department we are auditing and see our Office as a resource to help City 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 solutions. 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. We want to ensure the City’s resources and assets are protected.

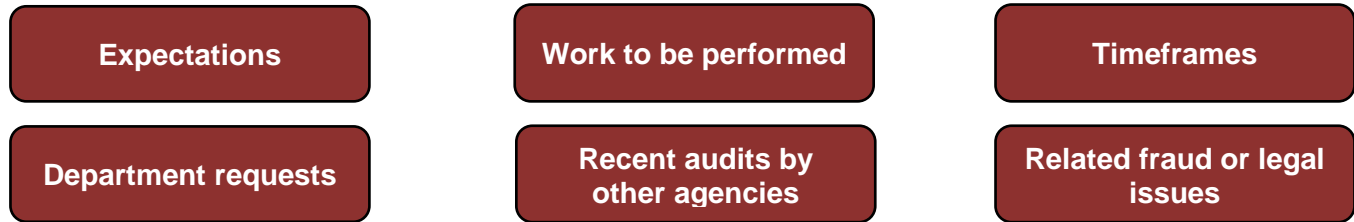
## Initiation of the Audit



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.

**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.

❖ ***Interviews***  
Interviews are with both City and external 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 list 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 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 several weeks, our 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.

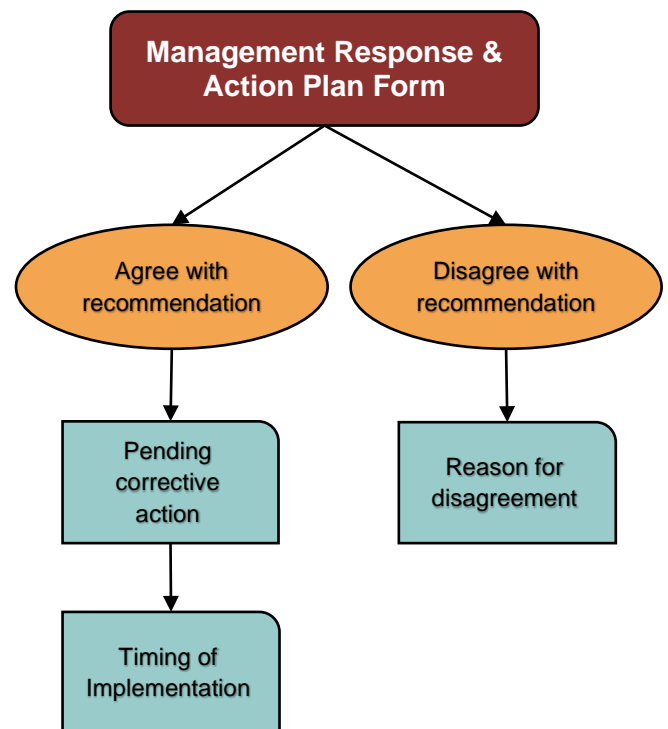
- **Closeout Meeting**

Once the quality control process and draft report are complete, the 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 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 from either the audit team or Department personnel.

- **Management Response**

City Management is given the option of providing a response to the recommendations in the audit report. Department responses must be prepared using the Management Response & Action Plan Form. The Form will accompany the 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, our 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 City Management on the rebuttal will not be initiated.

The information in the Form will be used to monitor recommendations going forward. Our 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 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.

## ***Report Changes***

If, after reviewing the audit report, the Department has concerns, please contact the auditor in charge of the audit to discuss. Our Office may elect to make changes to the report if the proposed changes provide more clarity or corrects a factual inaccuracy. It would be highly unlikely at this point that changes to 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 our Office's website [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com).

## **Audit Standards**

Our 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. Our Office regularly undergoes these reviews and has shown to have the highest possible standards of performance in government auditing. This distinction assures the public that our Office provides fair reviews of City operations and spending.

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