

Section 3

Audit Standards—General Standards

It is the policy of the Office of the City Auditor to follow generally accepted government auditing standards (GAGAS), as provided in *Government Auditing Standards*, December 2011 Revision, issued by the U.S. Government Accountability Office—more commonly referred to as the *Yellow Book*.¹

This section documents the four general standards and provides guidance for performing financial audits, attestation engagements, and performance audits. These general standards deal with:

- Independence
- Professional Judgment
- Competence
- Quality Control and Assurance

Specifically, the general standards encompass the independence of the audit organization and its individual auditors; the exercise of professional judgment in the performance of work and the preparation of related reports; the competence of audit staff, including the need for their continuing professional education; and the existence of quality control systems and external peer reviews. Section 3 also documents the Office of the City Auditor policies and procedures for complying with the four general standards. The fieldwork and reporting standards and applicable policies are covered in Section 4 and Section 7.

¹ The December 2011 revision of Government Auditing Standards supersedes the July 2007 revision. The December 2011 revision of Government Auditing Standards is the version that should be used by government auditors until further updates and revisions are made. The 2011 revision is effective for financial audits and attestation engagements for periods ending on or after December 15, 2012, and for performance audits beginning on or after December 15, 2011. Early implementation is not allowed.

Government Auditing Standards--Performance Audits		
General Standards	Fieldwork Standards	Reporting Standards
Audit Manual Section 3	Audit Manual Section 4	Audit Manual Section 7
Independence	Reasonable Assurance	Form
Professional Judgment	Significance	Report Contents
Competence	Audit Risk	Report Quality Elements
Quality Control and Assurance	Planning	Report Issuance and Distribution

Independence

In all matters relating to audit work, the Office of the City Auditor and individual auditors must be independent². Auditors should avoid situations that could lead reasonable and informed third parties to conclude that the auditors are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work³. Auditors should be independent from an audited entity during any period of time that falls within the period covered by the subject matter of the audit, and the period of the professional engagement⁴. In accordance with San Diego City Charter Section 39.2, the Office and each auditor follow Generally Accepted Government Auditing Standards, currently, the 2011 version (GAGAS or GAS).

Practical Consideration of Independence

Four interrelated sections define GAGAS's practical considerations⁵. These include

- 1) Use of a conceptual framework for making independence determinations;
- 2) Specific requirements for audit organizations located within entities they audit;
- 3) Requirements and guidance for nonaudit services; and
- 4) Documentation requirements to support adequate consideration of auditor independence.

² GAS 3.02

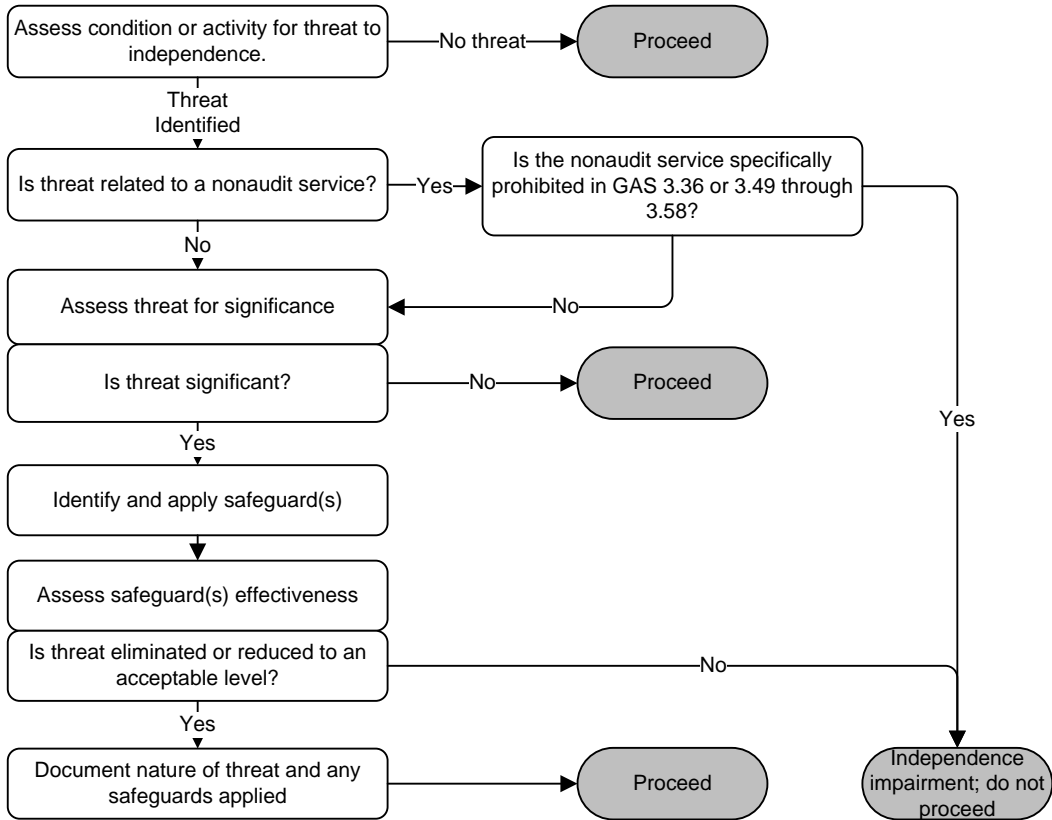
³ GAS 3.04

⁴ GAS 3.05

⁵ GAS 3.06

Use of a Conceptual Framework for Making Independence Determinations

GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. Auditors should apply the conceptual framework at the audit organization, audit, and individual auditor levels to 1) identify threats to independence; 2) evaluate the significant of the threats; and 3) apply safeguards as necessary⁶. If appropriate safeguards do not eliminate or reduce a threat to an acceptable level, independence would be considered impaired⁷. The follow graphic displays the conceptual framework.



Applying the Conceptual Framework

Auditors should evaluate threats to independence using the conceptual framework when the facts and circumstances under which the auditors perform their work may create or augment threats to independence. Auditors should evaluate threats both individually and in the aggregate because threats can have a cumulative effect on an auditor’s independence⁸.

⁶ GAS 3.08

⁷ GAS 3.09

⁸ GAS 3.20

The evaluation for threats to independence should not only occur when a workplan is established, but rather, the evaluation should be an ongoing consideration during audits. An event can occur at any time which may impair independence. Auditors should use professional judgment to determine whether the facts and circumstances created by an event warrant use of the conceptual framework. Whenever relevant new information about a threat to independence comes to the attention of the auditor during the audit, the auditor should evaluate the significance of the threat in accordance with the conceptual framework⁹.

Auditors should determine whether identified threats to independence are at an acceptable level or have been eliminated or reduced to an acceptable level¹⁰. When an auditor identifies threats to independence and, based on an evaluation of those threats, determines that they are not at an acceptable level, the auditor should determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level. The auditor should exercise professional judgment in making that determination, and should take into account whether both independence of mind and independence in appearance are maintained¹¹.

In cases where threats are not at an acceptable level, the auditors should document the threats identified and the safeguards applied to eliminate the threats or reduce them to an acceptable level¹². If conditions cannot be eliminated or reduced to an acceptable level, the auditors should decline to perform the audit or terminate their participation¹³.

If a threat to independence is initially identified after the auditors' report is issued, the auditor should evaluate the threat's impact on the audit and on GAGAS compliance. If the auditors determine that the newly identified threat had an impact on the audit that would have resulted in the auditors' report being different from the report issued had the auditors been aware of it, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organizations requiring or arranging for the audits, and other known users, so that they do not continue to rely on findings or conclusions that were impacted by the threat to independence. If the report was previously posted to the auditors' publicly accessible website, the auditors should remove the report and post a public notification that the report was removed. The auditors should then determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions or repost the original report if the additional audit work does not result in a change in findings or conclusions¹⁴.

⁹ GAS 3.21

¹⁰ GAS 3.22

¹¹ GAS 3.23

¹² GAS 3.24

¹³ GAS 3.25

¹⁴ GAS 3.26

Threats to Independence

Threats to independence may be created by a wide range of relationships and circumstances. Auditors should evaluate the following broad categories of threats¹⁵.

- **Self-interest threat** – a financial or other interest will inappropriately influence an auditor’s judgment or behavior;
- **Self-review threat** – an auditor or audit organization that has provided nonaudit services will not appropriately evaluate the results of previous judgments made or services performed as part of the nonaudit services when forming a judgment significant to the audit;
- **Bias threat** – an auditor will, as a result of political, ideological, social, or other convictions, take a position that is not objective;
- **Familiarity threat** – aspects of a relationship with management or personnel of an audited entity, such as a close or long relationship, or that of an immediate or close family member, will lead an auditor to take a position that is not objective;
- **Undue influence threat** – external influences or pressures will impact an auditor’s ability to make independent and objective judgments;
- **Management participation threat** – an auditor’s taking on the role of management or otherwise performing management functions on behalf of the entity undergoing an audit; and
- **Structural threat** – an audit organization’s placement within a government entity, in combination with the structure of the government entity being audited, will impact the audit organization’s ability to perform work and report results objectively.

Safeguards to Independence

Safeguards are controls designed to eliminate or reduce to an acceptable level threats to independence. Under the conceptual framework, the auditor applies safeguards that address the specific facts and circumstances under which threats to independence exist. In some cases, multiple safeguards may be necessary to address a threat¹⁶.

¹⁵ GAS 3.14

¹⁶ GAS 3.16

Examples of safeguards include, but are not limited to

- Consulting an independent third party,
- Having staff not associated with the audit review the work performed, or
- Discussing independence issues with those charged with governance.

Specific requirements for audit organizations located within entities they audit

The ability of audit organizations in government entities to perform work and report the results objectively can be affected by placement within government and the structure of the government entity being audited. Audit organizations structurally located within government entities are often subject to constitutional or statutory safeguards that mitigate the effects of structural threats to independence¹⁷. The Office of the City Auditor reports to the City Council through their Audit Committee, the legislative branch, while the audited entities of the City report to the Mayor, the Chief Executive. As a result, the Office is structurally separated from the level of government audited by the Office of the City Auditor¹⁸. The City Auditor is appointed by a legislative body, subject to removal by a legislative body, and reports the results of audits to and is accountable to a legislative body¹⁹.

The Office of the City Auditor was created by a 2008 City Charter amendment (Section 39.2), which granted broad authority and autonomy. There are a number of key safeguards in place to strengthen the Office's independence. These include the following –

- A City Charter amendment passed by the voters in 2008 created the Office of the City Auditor and only a City Charter change can abolish the Office (GAS 3.30a);
- The City Auditor serves a ten year term and may be removed only for cause by a two-thirds vote of the City Council (GAS 3.30b);
- The City Charter grants the City Auditor with broad access to records and City staff, and with an additional San Diego Municipal Code Improper Influence Ordinance, criminalizes an intentional attempt to obstruct or influence an audit or resulting report (GAS 3.30c/3.30d/3.30g);
- The Office of the City Auditor is required to report to the city's Audit Committee, a committee made of two City Council members and three public members appointed by the City Council (GAS 3.30e); and
- The City Charter designates the City Auditor as the appointing authority over Office staff. As such, the City Auditor has control over selection, retention, advancement, and dismissal of staff (GAS 3.30f).

¹⁷ GAS 3.27

¹⁸ GAS 3.28b

¹⁹ GAS 3.29b

Requirements and guidance for nonaudit services

Nonaudit services are defined as professional services other than audits or attestation engagements. Compliance with GAGAS does not apply to nonaudit services, so auditors do not report that nonaudit services were conducted in accordance with GAGAS. When performing nonaudit services, auditors should clearly communicate to audit requestors and those charged with governance that the work performed does not constitute an audit conducted in accordance to GAGAS²⁰.

In considering nonaudit services, the Office of the City Auditor should assess the impact that providing those nonaudit services may have on auditor and organizational independence and respond to any identified threats to independence in accordance with the GAGAS independence standard²¹.

The Office of the City Auditor will consider the impact of nonaudit services on a case-by-case basis to assess the impact on audit independence. However, each auditor should ensure they consider the workplan and any contemplated nonaudit services when utilizing the conceptual framework. In connection with nonaudit services, the Office of the City Auditor will establish and document their understanding with the audited entity's management or those charged with governance, as appropriate, regarding the following:

- Objective of the nonaudit service;
- Services to be performed;
- Audited entity's acceptance of its responsibilities;
- The auditor's responsibilities; and
- Any limitations of the nonaudit service²².

Documentation requirements to support adequate consideration of auditor independence

Documentation of independence considerations provides evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements. Appropriate documentation is required under the GAGAS quality control and assurance requirements. The independence standard includes the following documentation requirements:

- Document threats to independence that require the application of safeguards in accordance to the conceptual framework. This is addressed by completing the Threat

²⁰ GAS 2.12

²¹ GAS 2.13

²² GAS 3.39

Consideration and Safeguard Consideration portion of the Auditor Independence Evaluation Form.

- Document safeguards when the audit organization is located within a government entity and is considered independent. We are considered independent as our Office reports to the legislative branch, City Council, and not the Mayor and operational executive branch (GAS 3.28b). Additionally, the City Auditor is appointed by the legislative body, subject to removal by a legislative body, and reports the result of audits to and is accountable to a legislative body (GAS 3.29b). Further, the City Charter grants broad authority to the Office of the City Auditor and statutory protections address the seven safeguards listed under GAS 3.30.
- Nonaudit Service – Document consideration of audited entity management’s ability to effectively oversee a nonaudit service to be provided by the auditor.
- Nonaudit Service – Document the auditor’s understanding with an audited entity for which the auditor will perform a nonaudit service²³.

Office of the City Auditor Policy

To ensure compliance with the Independence Standard regarding personal and external impairments, all City Auditor staff that conduct audits will be required to sign an annual independence statement as outlined in Administrative Policy 1.3 and 1.3.1. An auditor will not be assigned to an audit with an existing impairment unless the assignment is unavoidable and safeguards are applied and assessed to eliminate the threat to independence, or reduce it to an acceptable level. If conditions lead to threats that are so significant that they cannot be eliminated or reduced to an acceptable level through the application of safeguards, resulting in impaired independence, the City Auditor will decline to perform the prospective audit or terminate an audit in progress.

Should an actual or perceived personal or external impairment arise during the course of an assignment or after an audit report is issued, the auditor is responsible for advising the City Auditor immediately. If a threat to independence is initially identified after the auditors’ report is issued, the City Auditor will evaluate the threat’s impact on the audit and on GAGAS compliance. If the City Auditor determines that the newly identified threat had an impact on the audit that would have resulted in the auditors’ report being different from the report issued had the auditors been aware of it, the steps outlined in GAGAS Section 3.26 will be implemented. The City Auditor will take the appropriate disciplinary action for audit staff that fail to report any impairments identified.

External impairments that cannot be resolved by the City Auditor will be reported to the Audit Committee for action. Impairments reported to the Audit Committee that are not resolved will be reported to the City Council for action.

²³ GAS 3.59

Office of the City Auditor Policy Regarding Nonaudit Services

Although the Office of the City Auditor generally does not perform nonaudit services, in consultation with the Audit Committee, the City Auditor will consider performing requested non-audit service in the context of impact on the current audit workplan and to independence. Before the City Auditor will agree to provide a nonaudit service, it will be determined whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit the Office of the City Auditor performs. The annual independence statement will be completed as outlined in Administrative Policy 1.3.1 for each nonaudit service considered, and compliance with GAGAS Sections 3.33 through 3.59.d will be documented related to any nonaudit services the City Auditor agrees to perform. The City Auditor will decline requests to perform nonaudit services that impair the audit organization's independence. If an auditor was required to perform a nonaudit service that could impair his or her independence with respect to a required audit, the nature of the threat that could not be eliminated or reduced to an acceptable level will be included in the report's GAGAS statement.

Professional Judgment

This standard requires that auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results. Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care concerns acting diligently in accordance with applicable professional standards and ethical principles. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence. Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty. Believing that management is honest is not a reason to accept less than sufficient, appropriate evidence.

Office of the City Auditor Policy On Professional Judgment

The Audit Manual includes procedures for conducting audit planning, risk assessment, and audit fieldwork, as well as procedures for preparing workpapers and report writing. Evidence that the professional judgment standard was met should include completed and approved audit programs for audit planning, field work, and report writing. If any of the audit phases are not performed, a written justification for not doing so should be included in the workpapers. Also, included should be a signed ethical principle statement form documenting awareness of required behavior.

For each audit done in accordance with GAGAS, auditors should complete an Audit Standards Plan. The Audit Standards Plan includes procedures to ensure that internal procedures and GAGAS are followed.

Competence

The standards require that staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. Competence is derived from a blending of education and experience. Competencies are not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by an auditor in any given time period. Maintaining competence through a commitment to learning and development throughout an auditor's professional life is an important element for auditors. Competence enables an auditor to make sound professional judgments. Audit management will assign staff to audits (financial, attestation, and performance), based on staff technical knowledge, skills, and experience. See Section 5 for process for evaluating staff competence.

Office of the City Auditor Policy Regarding Auditor Competence

In the Office of the City Auditor, auditor competence is defined by minimum high-level staff qualifications and requirement to achieve 80 hours of training every two years. Job classifications contain minimum requirements for education, coursework, work experience, knowledge, and skills necessary to conduct audits. Auditors perform challenging and innovative work to improve the economy, efficiency, and effectiveness of City government services and programs. This position requires the ability to collect, compile, analyze, interpret and present data, and draft audit findings. In the City of San Diego, Auditor's:

- Analyze City programs, departments, budgets, and complex processes to identify areas of efficiency and effectiveness.
- Identify areas of risk and evaluate internal controls over financial reporting.
- Develop and execute audit programs to identify and document areas for improvement.
- Assist in audit planning, conduct field work, and document audit steps and working papers.
- Use specialized data analysis techniques and approaches to analyze agency performance.
- Apply knowledge of budgeting, public administration, and generally accepted governmental auditing standards.
- Develop and communicate audit findings to staff, including identifying recommendations to address audit issues.
- Negotiate and assist in the resolution of audit issues.
- Write reports to the San Diego City Council identifying audit findings and recommendations.
- Maintain a professional rapport with management and work to ensure recommendations are implemented.

Minimum qualifications include completion of an undergraduate degree in information technology, accounting, business or public administration or related field from an accredited college or university, and two years of professional performance auditing, analytical or policy work experience is preferred. An advanced degree or professional certification is highly desirable. Proficiency in MS Word, Excel, PowerPoint, and Access is required. Advanced data analysis skills are also highly desirable.

Auditors performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit or attestation engagement under GAGAS, should maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work under GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. For auditors who are involved in any amount of planning, directing, or reporting on GAGAS assignments and those auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2- year period) that enhances the auditor's professional proficiency to perform audits or attestation engagements. Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year period.

In the event the Office of the City Auditor utilizes the services of external specialists to assist in performing GAGAS assignments, the City Auditor or his designee will assess the professional qualifications of such specialists including GAGAS CPE requirements, and document their findings and conclusions.

Office of the City Auditor Training Policy and Guidelines

All auditors are required to comply with GAGAS continuing professional education requirements. The current two-year training cycle began on July 1, 2016. See the Office of the City Auditor Training Policy below.

Quality Control and Assurance

Each audit organization performing audits or attestation engagements in accordance with GAGAS must:

- establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- have an external peer review at least once every three years.

The audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action.

Office of the City Auditor Policy on Quality Control

The key components of the internal quality control program are: (1) Supervisory review of all audits and working papers; (2) City Auditor and Assistant City Auditor review of completed audits; (3) Independent Report Review of final draft report; (4) monitoring of quality procedures, (5) Audit Standards Plan form completed for each audit engagement to document compliance with GAGAS; and (6) a peer review conducted every three years. The signature page of the Audit Standards Plan documents the review and approval at each quality control checkpoint.

On annual basis, audit management will review its monitoring of quality procedures and analyze and summarize the results at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. The results of this review should be documented in the Annual Results of Monitoring Procedures Review Form.

Peer Review Program

The Office of the City Auditor was created in June 2008 and the City Auditor's first peer review was conducted by the Association of Local Government Auditors (ALGA) in 2010. It covered audits completed between July 2008 and June 2010. The next peer review covered audits issued between July 2010 and June 2013, with a subsequent review to be conducted every three years thereafter.

The Office of the City Auditor has transmitted its last external peer review reports to the Audit Committee and City Council. The peer review report and letter of comment has been posted on the City Auditor's website and a copy of the reports will be made available to the public upon request.

Office of the City Auditor Policy on Peer Review

The policy is to comply with the GAGAS external peer review requirement by having an external peer review at least every three years. The peer review could be done through a professional association, such as the Association of Local Government Auditors, or through an outside auditing firm. The results of the peer review will be presented to the Audit Committee and the report posted on the City Auditor's Website:

<http://www.sandiego.gov/auditor/reports/index.shtml>

Office of the City Auditor Training Policy and Guidelines

Purpose

- Ensure that all Office of the City Auditor employees receive the necessary training to optimize job performance.
- Establish quality control procedures to ensure compliance with the Continuing Professional Education (CPE) requirements mandated by the U.S. Government Accountability Office (GAO) Government Auditing Standards.
- Establish educational training requirements with learning objectives designed to maintain or enhance employees' competency, knowledge, skills, and abilities in areas applicable to performing audits, attestation engagements, and other technical job related activities for the Office of the City Auditor.
- Support staff in their career development.

Policy

The 2011 GAO Government Auditing Standards requires auditors performing governmental audits to complete at least 80 hours of CPE each 2 year period to enhance professional competence and proficiency. The Government Auditing Standards also requires at least 20 of the 80 hours of CPE to be earned in one of the 2 years, and that 24 hours be directly related to government auditing, the government environment or the specific or unique environment in which the audited entity operates. The City Auditor has adopted the policy that all staff auditors will meet this CPE requirement. The City will provide the required CPE by sending auditors to training sponsored by appropriate professional organizations, providing the CPE training in-house, and using other methods as appropriate.

Scope

- This training program applies to all employees of the City Auditor that engage in performing audits.
- The primary focus for this training program is to develop and enhance the participants' knowledge, skills, and abilities in areas applicable to performing audits or attestation engagements; however, training may be provided in various other areas such as ethics, and personal development that increases competence.

Goals and Procedures

CPE topics may include but are not limited to audit methodology, accounting, assessment of internal controls, risk assessment, detection of fraud, investigative auditing, performance auditing, operational auditing, financial auditing and disclosure, statistical sampling, evaluation design, data analysis, public administration, City policy and structure, economics, social sciences, personal development, computer applications, and principles of management and

supervision. The following should also be considered when deciding whether a program qualifies for CPE credits.

- The training should contribute to the auditors' proficiency to perform or supervise an audit or increase competence.
- The training program should establish the education and experience level needed for participation.
- The training program objectives should specify the level of expected knowledge or competence upon completion of the program.
- The information presented should be current and substantive.
- The program should be designed and developed by those knowledgeable in the subject matter and instruction/education design.
- Instructors should be knowledgeable with program content and teaching methods.
- When appropriate, evaluation or assessment activities should be part of the program.

The following are different categories of programs available for CPE credits. Generally, 50 minutes of training = **1 Hour of CPE credit**.

- Internal training programs that meet the qualifications for CPE.
- Meetings or seminars of professional organizations that meet the qualifications for CPE.
- College courses that enhance professional competence and proficiency – 1 semester unit = 15 CPE credits, 1 quarter unit = 10 Hours of CPE credits.
- External education and training programs sponsored by professional organizations that qualify for CPE. Professional organizations include but are not limited to the Institute of Internal Auditors, Association of Local Government Auditors, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and the Government Accounting Standards Board.
- Speaking engagements and formal instruction that qualify for CPE. 1 presentation hour (50 minutes) = 3 Hours of CPE credits (1 credit for presentation and 2 credits for preparation) **Limit 40 CPE each 2 year period, limited to 1 time every 2 years for repeated programs.**
- Individual study programs such as correspondence courses, self-study guides, video tapes, audio cassette, and computer courses that meet the qualifications for CPE.

Maintaining and continuously improving professional competence is primarily the responsibility of each individual auditor. Each auditor should seek opportunities for training and professional development, participate in training provided by the City, and maintain the training documentation required under this policy.

- A Training Logbook (Excel Workbook) will be kept on a shared hard drive to track compliance with the Government Auditing Standards CPE requirements. The Training Logbook is located at "J:\CPE\Training Logbook and Policy". A new Logbook will be created after each 2 year period, and each auditor will have a separate tab on the Logbook to enter training information. In addition, a shared Training Binder will be maintained by City Auditor management to keep documentation verifying the successful completion of CPE (e.g. Certificates of Completion, Reports of Grades, etc). Each auditor will have a tab in the Training Binder. The Office shall maintain individual employee files for auditors which include resumes and evidence of training records.
- After completing CPE provided by the City, each auditor will provide evidence of training and certificates to verify successful completion.

It is the responsibility of City Auditor management to maintain quality control procedures to ensure auditors are in compliance with the CPE and staff competence requirements mandated by Government Auditing Standards.

- Periodically, City Auditor management will review the CPE recorded in the Training Logbook and the corresponding documentation kept in the Training Binder to verify the successful completion of CPE, and to ensure each auditor will receive training to be in compliance the Government Auditing Standards CPE requirements.
- City Auditor management will continually assess the skill level needed to fulfill the scope of audit projects and provide audit staff with the training necessary to meet those needs.
- Staff will be encouraged and supported to successfully complete the requirements to obtain professional certification designations such as Certified Internal Auditor, Certified Public Accountant, Certified Fraud Examiner, and/or other professional certification designations.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR**

SUPERVISORY REVIEW

Purpose

To ensure that all audit reports are supported by evidence documented in the audit workpapers; opinions and conclusions are logical and consistent; and all applicable GAGAS standards were met.

Background

The Audit Manager (Assistant City Auditor, Deputy City Auditor, Principal IT Auditor, or Supervising Senior Performance Auditor) review ensures that the quality control reviews are performed on time and adequately documented. Supervisory review usually consists of continuous review of audit work and working papers

Procedure

Supervisory review includes:

- (a) attendance at team meetings to monitor audit progress;
- (b) participation at the preliminary survey meeting to discuss potential risk exposures of organizational unit under review and define areas that warrant audit attention;
- (c) participation at fieldwork meetings to review audit results and finalize draft outline;
- (d) review of key working papers; and
- (e) review of draft reports.

The Supervising Auditor Review includes the review of workpapers to ensure that the audit workpapers comply with the workpaper organization and control guidelines described in the Audit Manual and Government Auditing Standards. Subject to the approval of the City Auditor, the Supervising Auditor may delegate the review of workpapers to another member of the audit staff provided that person is sufficiently experienced and competent to perform the task(s).

The In-Charge/Supervising Auditor is responsible for ensuring that the audit is performed in accordance with Government Auditing Standards and the City Auditor Policies and Procedures Manual. The In-Charge Review includes assessing the requirements of the audit assignment.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR
CITY AUDITOR REVIEW AND APPROVAL**

Purpose

To document the City Auditor's ultimate responsibility for all audit work and audit products issued by the office

Background

The City Auditor's goal is to ensure that all audit products and audit work performed by Audit staff are accurate, timely, and complete and done in accordance to GAGAS. The City Auditor's signature on audit reports and memorandums attests that he has reviewed and approves of the audit findings, conclusions, and recommendations.

Procedure

The City Auditor's review and approval includes:

- (a) approval of audit scoping statement, completed risk assessment, and field work audit program;
- (b) review and approval of draft audit reports and memorandums;
- (c) participating in periodic team meetings to monitor audit progress;
- (d) participating at an end of preliminary survey meetings to discuss the audit scope statement and finalized risk assessment and audit program; and
- (e) participating at an end of field work meeting to review audit results and discuss draft outline.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR
INDEPENDENT REPORT REVIEW**

Purpose

Government Auditing Standards require that each audit organization conducting audits in accordance with GAGAS should have an appropriate internal quality control system in place. To comply with sections 3.82 to 3.91, 6.53 to 6.85, and 7.08 to 7.31 of the Yellow Book, the Independent Report Review process is established to ascertain that every statement of fact in the audit report is supported by audit evidence documented in the audit workpapers and that opinions and conclusions are logical and consistent.

Background

The Independent Report Review or referencing is a critical quality control element in audit report processing. Referencing is the process followed to ascertain that **every** statement of fact in the audit report is supported by sufficient, competent, and relevant audit evidence. The reviewer’s job is to examine the report’s facts, opinions, and conclusions to ensure they are accurate, logical, and consistent. The reviewer is expected to verify every statement of fact by tracing it back to the supporting workpapers. The workpapers should reflect the details of the evidence and disclose how it was obtained. When referencing reports, Independent Report Reviewers perform this function on behalf of the City Auditor. Annual training will be conducted to ensure referencing is accomplished in a consistent manner.

Procedure

Audit Staff	<p>1. References report draft to audit workpapers by providing authoritative support for findings and recommendations contained within the report. Audit Staff should:</p> <ul style="list-style-type: none"> • Ensure that workpapers have the required sign-offs. • Ensure that a second reviewer (ie., someone other than the person who prepared/analyzed the data) has traced and verified all data tables in workpapers. The second reviewer should electronically initial the following statement on the workpaper title sheet: “I traced the source and verified the accuracy of the data in this workpaper [initial and date]. • For each statement of fact, highlight the draft report text using the “New Comment” function within Microsoft Word, electronically reference the audit report draft to the audit workpapers by hyperlinking the workpaper index number, page number, and reference number in the comment box. For example, B-2.1 pg. 4R1. See Example 1 below, for an example of referencing using Microsoft Word comment boxes.
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	<ul style="list-style-type: none"> • The workpaper reference number(s) (ie, R1, R2, etc) should be adjacent to the evidence cited. • For statements of opinion or conclusion, note “ACBOA” (Auditor Conclusion Based on Above) or “ACBOB” (Auditor Conclusion Based on Below) within the comment box. Alternatively, Auditor Opinion Based on Above/Below may be used. • Corroborate or attribute to the source testimonial evidence used. For example, “According to department staff...” • Reference <u>all</u> figures or information included in charts and graphs. See Examples 2 and 3 below for examples of how to reference charts and graphs. A single reference can be used if the table or graph appears in a workpaper and has been traced and verified by a second reviewer. • Ensure that all charts and graphs used in the actual report have a source identified. For example, “OCA-generated based on information provided by PUD.” See Examples 2 and 3 below for examples of how to reference charts and graphs. • Ensure that all comparative numbers used for benchmarking type analysis are provided/referenced in a manner easy for the reviewer to evaluate. For instance, if benchmarking other municipality response times, these times should be presented to the reviewer in one auditor generated analysis that is sourced, rather than sending the reviewer to multiple different documents.
<p>City Auditor</p>	<p>2. Assigns auditors who were not involved in the audit project’s fieldwork and report preparation to be the Independent Report Reviewer(s). Reviewer assignments and expectations are as follows:</p> <p>The City Auditor will determine which sections of the report draft, if any, should be approved by the Independent Reviewer prior to department review. Senior Performance Auditors and above will be assigned to review sections of the report considered high risk as determined by the City Auditor in consultation with the Audit Manager. High risk sections include those which should be prioritized and approved prior to department review and those sections with figures that should be recalculated.</p>

	<ul style="list-style-type: none"> • Performance Auditors I and II may be assigned to review sections of the report considered low risk as determined by the City Auditor or Assistant City Auditor in consultation with the Audit Manager. • The City Auditor makes the final decision when disagreements arise regarding report evidence.
<p>Independent Report Reviewer</p>	<p>3. Examine the logic, facts, and conclusions presented in the report. In particular, the following tasks should be completed to ensure the accuracy of the report:</p> <ul style="list-style-type: none"> • Aim to review at least eight pages per day. • Verify that facts flow logically into conclusions and recommendations. • Trace every statement of fact to the supporting workpaper, including dates, numbers, percentages, titles, proper names, quotes, and legal citations. • Ensure that a second reviewer has traced and verified all figures presented in the report that are calculated through OCA analysis of data, and verify that the second reviewer has initialed the attestation statement on the title sheet of the workpaper containing the data analysis. • As directed by the City Auditor, evaluate the methodology used to calculate critical figures presented in the report, and verify the accuracy of underlying calculations. • If the statement of fact, opinion, or conclusion is acceptable, record your initials, "OK", and date inside the comment box directly below the references provided as shown in Example 1. • If the statement of fact, opinion, or conclusion is not supported by the references provided, or if clarification is required, request additional information inside the comment box directly below the references provided. Highlight the request for information in yellow so that it can be easily located by Audit Staff. See Example 1, below, for an example of how to request additional information. • If consistently deficient references impair the ability to efficiently conduct the Independent Review, notify the Audit Manager and return the draft to Audit Staff so that these deficiencies can be addressed prior to continuing the Independent Review.

	<ul style="list-style-type: none"> • If necessary, inform the Audit Staff of any edits that should be an area of focus for the Audit Administrative Support Analyst when preparing the report for publishing. For example, "Please reconcile the usage of SD-OHS vs. Homeland Security."
Audit Staff	<p>4. Respond in writing to the Independent Report Reviewer's comments and questions. Responses should be entered underneath the reviewer's comments in the comment box. See Example 1 for an example of how to respond to the Independent Reviewer's notes.</p> <ul style="list-style-type: none"> • Make changes to the workpapers as necessary. • Make any changes to the report as necessary. Use track changes to track any edits made to the report, to assist with version control efforts. • Refer any audit report changes and unresolved items to the Audit Manager and the City Auditor.
Independent Report Reviewer	<p>5. Review the audit staff's responses to any outstanding independent review comments and requests for information. Record your initials, "OK", and date in the comment box below all comments or questions that are resolved.</p> <p>6. If differences of opinion cannot be resolved, document the rationale in the comment boxes and highlight each box in red, and discuss the unresolved issues with the City Auditor for resolution.</p> <ul style="list-style-type: none"> • See Example 1 below, for an example of Independent Review comments.
Audit Staff	<p>7. Address all independent reviewer comments.</p> <p>8. Make appropriate changes to workpapers, conclusions, and the report. Reconcile changes to the report made as a result of independent review. This includes ensuring that any changes made to the report after the Independent Review has been completed (such as changes made as a result of the exit conference) are cleared through the Independent Review process. An exception to this requirement is minor verbiage revisions (such as using 'did not complete' instead of 'failed to complete') which are immaterial to the report contents. The Audit Manager will determine if verbiage revisions are immaterial or need to be cleared by the Independent Reviewer.</p> <p>9. Sign the Audit Standards Plan Review Form before the audit report is issued.</p>

<p>Audit Manager</p>	<p>10. Verify that Audit Staff and the Independent Reviewer(s) have appropriately referenced and reviewed all changes made to the report as the result of the exit conference, Independent Review, etc. When there are verbiage revisions to the report contents, the Audit Manager will determine if the verbiage revisions are immaterial or need to be cleared by the Independent Reviewer.</p> <p>11. Ensure that all changes resulting from the independent review have been incorporated into the final version of the report.</p> <p>12. Ensure that all comments have been resolved.</p> <p>13. Sign the Audit Standards Plan Review Form before the audit report is issued.</p>
<p>Assistant City Auditor</p>	<p>14. Verify that all comments have been appropriately addressed.</p> <p>15. Resolve any remaining issues and ensure that sufficient action has been taken to produce a quality report.</p> <p>16. Review and approve the audit report changes.</p> <p>17. Based upon the quantity and type of Independent Reviewer’s comments, determine if the audit team adequately prepared and reviewed workpapers. If they did not, follow up with team to ensure future improvements in workpaper preparation and review.</p>

Example 1 – Referencing and Independent Review

The Commercial and Multi-Family Recycling Rate Remains Low Despite Citywide Recycling Requirements

While the City has been able to make improvements in the overall waste diversion rate over the last several years, increased diversion has largely resulted from the implementation of the Construction and Demolition Debris (C&D) Recycling Ordinance. According to ESD, since the ordinance was implemented in FY 2009, the recycling rate for C&D materials subject to the deposit program has been 85%,¹ and the amount of construction waste deposited in Miramar Landfill annually has declined from 400,000 tons per year to less than 40,000 tons per year. However, despite the concurrent implementation of the Citywide Recycling Ordinance (CRO) beginning in 2008, hauler waste and recycling reports provided by ESD indicate that the diversion rate for the City's 15,000 commercial and multi-family residential properties remains low – only 26% in CY 2013.

Comment [A10]: ACBOB
SA OK 6/20/14

Comment [A11]: B-4/16-1 R5
Diversion Rate 52% in 2004 and 68% in 2012
SA OK 6/20/14

Comment [A12]: B-4/16-1 R1
SA OK 6/20/14

Comment [A13]: B-4/14-1 R5
SA-I do not see the 83% number or the R5. Please provide a reference for the footnote too. 6/20/14
AH 6/23/14
See B-4/3-1 Pg. 1 R3
SA OK 6/23/14

Comment [A14]: B-4/20-1 P2 R2
SA-Add "According to..." 6/20/14 The number is OK
AH 6/20/14 added
SA OK 6/23/14

Comment [A15]: C-1/1-1 R2
SA OK 6/20/14

Comment [A16]: F.2b/2-1 [Summary] R1
SA OK 6/20/14

Comment [A17]: B-4/14-1 R1
SA-Add "According to" or a footnote with the source for these numbers. 6/20/14 The number is OK.
AH 6/20/14 added
SA OK 6/23/14

¹ This only includes C&D that is subject to the C&D Recycling Ordinance. ESD does not monitor recycling rates for C&D that is not subject to the ordinance.

Example 2- Referencing Charts

Exhibit X: Spray and Pay Rewards Paid, FY 2011–2013

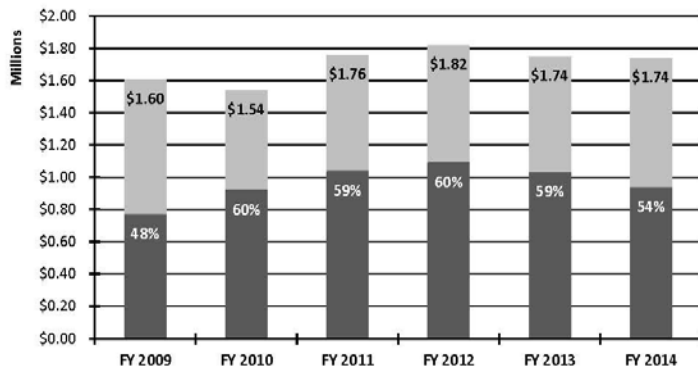
	FY 2011	FY 2012	FY 2013
Rewards Paid	8	7	1
Total Reward Amount	\$2,375	\$1,475	\$175

Source: OCA using data provided by DSD

Comment [MAC1]:
C.C.9 p. 3 R1 – MAC 12/03/13
OK TT 12/11/2013

Example 3-Referencing Graphs

Exhibit 4: Total SD-OHS Funding and Percent Grant-Funded



Source: OCA using SD-OHS budget documents

Comment [MAC19]:

See Exhibit 1 in Background

FY 2009

B-4 7-1 p. 503 R, B-4 7-1 p. 501 R1
\$765,895/\$1,603,908=0.48

FY 2010

B-4 8-1 p. 439 R, B-4 8-1 p. 437 R1
\$915,742/\$1,536,220=0.6

FY 2011

B-4 9-1 p. 448 R, B-4 9-1 p. 447 R1
\$1,033,828/\$1,755,915=0.59

FY 2012

B-4 2-1 p. 492 R, B-4 2-1 p. 491 R1
\$1,087,593/\$1,815,520=0.6

FY 2013

B-4 3-1 p. 380 R, B-4 3-1 p. 379 R1
\$1,028,515/\$1,744,465=0.59

FY 2014

B-4 4-1 p. 354 R, B-4 4-1 p. 353 R1
\$930,957/\$1,735,205=0.54

SJC Note: FY13 & 14 "grant" funding source does not appear to be from a grant, but a "charge for service" However, all referenced numbers are correctly sourced.

MAC Sec 1c-2 p. 1 R
Reviewed SJG 06-05-14

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR
RESULTS OF ANNUAL MONITORING PROCEDURES REVIEW**

Purpose: To document compliance with generally accepted government auditing standards requirement to review monitoring procedures.

Criteria: Government Auditing Standard specify that the audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action.

Requirement:

On annual basis, audit management will review its monitoring of quality procedures and analyze and summarize the results at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action.

Action:

Date of Review	Reviewer	Changes Yes or No?	Changes

The annual monitoring procedures used to identify any systematic issues needing improvement will be documented in a memo outlining the steps taken and outcome for the City Auditor’s review. The City Auditor’s review will be documented in the chart above. The monitoring steps will include reviews of engagement workpapers and related administrative files to provide assurance that established policies and procedures are being followed in practice.

**CITY OF SAN DIEGO
OFFICE OF THE CITY AUDITOR
AUDIT STANDARDS REVIEW**

Purpose

To ensure that the audit project complies with the U.S. Comptroller General’s *Government Auditing Standards*.

Background

The Audit Standards Review occurs at the end of the report writing phase. The intent of the final review is to ascertain that the audit staff has complied with the applicable General Standards, Field Work Standards, and Reporting Standards as described in the **Audit Standards Plan** below.

Procedure

Audit staff	1. Update the Audit Standards Plan to reflect the audit work performed upon completion of the Report Writing phase of the audit.
Audit Standards Plan Reviewer	2. Review the Audit Standards Plan for completeness. Write the review comments in an Audit Standards Review Worksheet.
Audit Staff	3. Address comments and make changes to the Audit Standards Plan or workpapers, if necessary. Refer any unresolved items to the Supervising Auditor and the City Auditor.
Supervising Auditor and City Auditor	4. Decide on any unresolved issues and take corrective action.
Audit Staff	5. File the documented Audit Standards Plan review in the audit workpapers.

Audit Standards Plan

Office of the City Auditor
City of San Diego, CA

Purpose: The City Charter Article V Section 39.2 requires that we conduct audits in accordance to Generally Accepted Government Auditing Standards (GAGAS). In order to document compliance with GAGAS, an Audit Standards Plan form will be completed for each audit assignment; and independent review of the form will be performed.

Position	Signature	Date
Audit Standard Plan Preparer		
Audit Standard Plan Reviewer		
Independent Report Reviewer 1		
Independent Report Reviewer 2		
In-Charge Auditor		
Audit Manager (Supervisory Review and Approval of Audit Working Papers and Audit Evidence)		
Assistant City Auditor		
City Auditor		

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
ETHICS		
<p>The information presented in the chapter on Ethical Principles in Government Auditing deals with fundamental principles and does not contain additional requirements. However, audit organizations may choose to establish procedures that align with the principles included in generally accepted government auditing standards (GAGAS).</p> <p>Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors who conduct their work in accordance with GAGAS to follow ethical principles. Management of the audit organization sets the tone for ethical behavior throughout the organization by maintaining an ethical culture, clearly communicating acceptable behavior and expectations to each employee, and creating an environment that reinforces and encourages ethical behavior throughout all levels of the organization. The ethical tone maintained and demonstrated by management and staff is an essential element of a positive ethical environment.</p> <p>The ethical principles that guide the work of the auditors who conduct audits in accordance with GAGAS are: a. the public interest; b. integrity; c. objectivity; d. proper use of government information, resources, and positions; and e. professional behavior. (GAS 1.14)</p>	<p>The City Auditor and all audit staff are required to adhere to and follow the five key ethical principles. On an annual basis, the City Auditor and all audit staff will review the five ethical principles and attest in writing that they will adhere to and follow the identified principles. In the event, the City Auditor or audit staff cannot comply with or adhere to the identified principles, they should immediately notify their appointing authority of the circumstances involving the ethical principles.</p>	<p>See Audit Employee Training Folder for copies of signed ethical principle statements.</p>
<p>GENERAL STANDARD ON INDEPENDENCE:</p> <p>In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent in mind and appearance. (3.02-03)</p>		
<p>1. Audit organizations are responsible for establishing an internal quality control system to assure compliance with the independence standards. Quality Control System procedures should include:</p> <p>A. Verify auditors were independent during the period covered by the subject matter of the audit and the period of the engagement. (3.05)</p> <p>B. Identify threats to independence, evaluate their significance, determine if identified threats to independence have been eliminated or are at an acceptable level, and apply and document safeguards as necessary. (3.08, 3.20-3.23, 3.24, 3.59)</p> <p>C. Evaluate the categories of threats to independence: self-interest, self-review, bias, familiarity, undue</p>	<p>To ensure compliance with the Independence Standard regarding personal and external impairments, all City Auditor staff will be required to sign an annual independence statement as outlined in Administrative Policy 1.3 and 1.3.1. An auditor will not be assigned to an audit with an existing impairment unless the assignment is unavoidable and safeguards are applied and assessed to eliminate the threat to independence, or reduce it to an acceptable level. If conditions lead to threats that are so significant that they cannot be eliminated or reduced to an acceptable level through the application of safeguards, resulting in impaired independence, the City Auditor will decline to perform the</p>	<p>See Audit Employee Training Folder for copies of signed independence statement.</p> <p>Any impairment unresolved related to this audit engagement:</p> <p>___ None</p> <p>___ Yes See w/p reference ___ Documenting actions taken.</p> <p>Should an actual or perceived personal or external impairment arise after an audit report is issued, the auditor is responsible for advising the City Auditor immediately,</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>influence, management participation, and structural. (3.14)</p> <p>D. Decline or terminate the audit if threats cannot be eliminated or reduced to an acceptable level. (3.25)</p> <p>E. Evaluate the impacts of threats identified after report issuance and take appropriate steps. (3.26)</p>	<p>prospective audit or terminate an audit in progress.</p> <p>Should an actual or perceived impairment arise during the course of an assignment, the auditor is responsible for advising the City Auditor immediately. In any impairment cannot be resolved, the auditor with the impairment must be removed from the audit, or the impairment must be reported in the scope section of the report.</p>	<p>and action will be taken in accordance with Section 3 of the Audit Manual.</p>
<p>2. The ability of audit organizations to perform work and report the results objectively can be affected by placement within and the structure of the government entity being audited. The independence standard applies to auditors who report to third parties externally, to senior management within the audited entity, or both. Organizational independence can be achieved in various ways for external and internal audit organizations. (3.27)</p> <p>An external audit organization that is structurally located within the government entity and subject to constitutional or statutory safeguards that mitigate the effects of structural threats; safeguards may include a structure under which the audit organization is:</p> <ul style="list-style-type: none"> • at a level of government other than the one of which the audited entity is part (federal, state, local), or; • placed within a different branch of government from that of the audited entity. (3.28) 	<p>The Office of the City Auditor reports to the City Council through their Audit Committee, the legislative branch, while the audited entities of the City report to the Mayor, the Chief Executive. As a result, the Office is structurally separated from the level of government audited by the Office of the City Auditor. The City Auditor is appointed by a legislative body, subject to removal by a legislative body, and reports the results of audits to and is accountable to a legislative body.</p> <p>The Office of the City Auditor was created by a 2008 City Charter amendment (Section 39.2), which granted broad authority and autonomy. There are a number of key safeguards in place to strengthen the Office's independence. These include the following:</p> <ul style="list-style-type: none"> • A City Charter amendment passed by the voters in 2008 created the Office of the City Auditor and only a City Charter change can abolish the Office (GAS 3.30a); • The City Auditor serves a ten year term and may be removed only for cause by a two-thirds vote of the City Council (GAS 3.30b); • The City Charter grants the City Auditor with broad access to records and City staff, and with an additional San Diego Municipal Code Improper Influence Ordinance, criminalizes an intentional attempt to obstruct or influence an audit or resulting report (GAS 3.30c/3.30d/3.30g); • The Office of the City Auditor is required to report to the city's Audit Committee, a committee made of two City Council members and three public members appointed by the City Council (GAS 3.30e); and • The City Charter designates the City Auditor as the appointing authority over Office staff. As such, the City Auditor has control over selection, retention, advancement, and dismissal of staff (GAS 3.30f). 	<p>See City Charter Section 39.2 on City Clerk's Website</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>3. Before an auditor agrees to provide a nonaudit service to an audited entity the auditor should:</p> <p>A. Determine if providing the service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit it performs. (3.34)</p> <p>B. Determine that the audited entity has designated an individual to oversee the nonaudit service; the auditor should document his or her consideration of the individual's ability to effectively oversee the nonaudit service. (3.34, 3.59)</p> <p>C. Obtain assurance that management assumes all management responsibilities, will oversee the services, will evaluate the adequacy and results of the service being performed, and will accept responsibility for the results. (3.37)</p> <p>D. Document their understanding with management or the governing body regarding:</p> <ul style="list-style-type: none"> • objectives of the nonaudit service, • services to be performed, • audited entity's acceptance of its responsibilities, • the auditor's responsibilities, • limitations of the nonaudit service. (3.39, 3.59) 	<p>Although the Office of the City Auditor generally does not perform nonaudit services, in consultation with the Audit Committee, the City Auditor will consider performing requested non-audit service in the context of impact on the current audit workplan and to independence. Before the City Auditor will agree to provide a nonaudit service, it will be determined whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS audit the Office of the City Auditor performs. The annual independence statement will be completed as outlined in Administrative Policy 1.3.1 for each nonaudit service considered, and compliance with GAGAS Sections 3.33 through 3.59.d will be documented related to any nonaudit services the City Auditor agrees to perform. The City Auditor will decline requests to perform nonaudit services that impair the audit organization's independence.</p>	<p>Nonaudit services provided related to this audit engagement:</p> <p>___ None provided</p> <p>___ Yes See w/p reference ____</p> <p>See non-audit services binder that documents all non-audit services provided and compliance with GAGAS.</p>
<p>4. An auditor who previously performed nonaudit services for an entity that is a prospective subject of an audit should evaluate the impact of those nonaudit services on independence before accepting the audit. (3.42)</p>	<p>The annual independence statement will be completed as outlined in Administrative Policy 1.3.1 for each nonaudit service considered, and compliance with GAGAS Sections 3.33 through 3.59.d will be documented related to any nonaudit services the City Auditor agrees to perform. The City Auditor will decline requests to perform nonaudit services that impair the audit organization's independence.</p>	<p>See Audit Employee Training Folder for copies of signed independence statement.</p> <p>Any previously performed nonaudit service related to this audit engagement:</p> <p>___ None</p> <p>___ Yes See w/p reference ____</p> <p>documenting actions taken.</p>
<p>5. An auditor required to perform a nonaudit service that could impair his or her independence with respect to a required audit should disclose the nature of the threat that could not be eliminated or reduced to an acceptable level and modify the GAGAS statement accordingly. (3.44)</p>	<p>If an auditor was required to perform a nonaudit service that could impair his or her independence with respect to a required audit, the nature of the threat that could not be eliminated or reduced to an acceptable level will be included in the report's GAGAS statement.</p>	<p>See Audit Employee Training Folder for copies of signed independence statement.</p> <p>Any nonaudit service performed causing an impairment to independence that could not be eliminated or reduced to an acceptable level related to this audit engagement:</p> <p>___ None</p> <p>___ Yes See w/p reference ____ documenting impairment and the language added to GAGAS statement in audit report.</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>6. When performing nonaudit services not specifically prohibited, use the conceptual framework to evaluate independence. (3.46)</p>	<p>GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. Auditors should apply the conceptual framework at the audit organization, audit, and individual auditor levels to 1) identify threats to independence; 2) evaluate the significant of the threats; and 3) apply safeguards as necessary.</p>	<p>Nonaudit services provided related to this audit engagement:</p> <p>___ None provided</p> <p>___ Yes See w/p reference ___</p> <p>See non-audit services binder that documents all non-audit services provided and compliance with GAGAS.</p>
<p>7. When preparing separate evaluations about the effectiveness of the internal control system, evaluate the management participation threat and any applied safeguards. (3.55)</p>	<p>The annual independence statement will be completed as outlined in Administrative Policy 1.3.1 for each nonaudit service considered, and compliance with GAGAS Sections 3.33 through 3.59.d will be documented related to any nonaudit services the City Auditor agrees to perform.</p>	<p>Separate evaluation about the effectiveness of the internal controls system related to this audit engagement:</p> <p>___ No separate evaluation provided.</p> <p>___ Yes See w/p reference ___</p> <p>See non-audit services binder that documents all non-audit services provided and compliance with GAGAS.</p>
<p>GENERAL STANDARD ON PROFESSIONAL JUDGMENT:</p> <p>Auditors must use professional judgment in planning and performing audits and in reporting the results. (3.60)</p>		
<p>8. Professional judgment includes exercising reasonable care and professional skepticism:</p> <ul style="list-style-type: none"> • Professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence. (3.61) • Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty. (3.61) • Professional judgment represents the application of the collective knowledge, skills, and experiences of all personnel involved with an audit. (3.63) • Professional judgment may involve collaboration with other stakeholders, external specialists, and management in the audit organization. (3.63) • Using professional judgment is important in determining the required level of understanding of the audit subject matter and related circumstances. (3.66) • An auditor's consideration of the risk level of each audit, including the risk of arriving at improper conclusions, is also important [determining sufficiency and appropriateness of evidence]. (3.67) 	<p>The Audit Manual includes procedures for conducting audit planning, risk assessment, and audit fieldwork, as well as procedures for preparing workpapers and report writing. Evidence that the professional judgment standard was met should include completed and approved audit programs for audit planning, field work, and report writing. If any of the audit phases are not performed, a written justification for not doing so should be included in the workpapers.</p> <p>Also, included should be a signed ethical principle statement form documenting awareness of required behavior.</p> <p>For each audit done in accordance with GAGAS, auditors should complete an Audit Standards Plan. The Audit Standards Plan includes procedures to ensure that internal procedures and GAGAS are followed.</p>	<p>Audit Planning and Scoping Statement ___</p> <p>Risk Assessment ___</p> <p>Audit Program ___</p> <p>Ethical Principle Statements In the Audit Employee Training Folder</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>GENERAL STANDARD ON <u>COMPETENCE</u>:</p> <p>The staff assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS. (3.69)</p>		
<p>9. Audit organization management should assess skill needs to consider whether its workforce has the essential skills that match those necessary to perform a particular audit. (3.70)</p>	<p>The City Auditor assigns staff to the audit based on input from the Audit Manager. Staff assignments will be based on auditor availability, experience, knowledge, and familiarity with the audit subject. For each audit, a Staff Assignment Form will be completed to document assignment approval, and staff competence.</p>	<p>See staff assignment form, w/p ____.</p>
<p>10. Audit organizations should have a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce. (3.70)</p>	<p>Management is responsible for ensuring that each employee receives an annual employee evaluation using the appropriate Admin 1.1.1 form. If employees are having difficulty in conducting their duties—e.g., performing audits in compliance with Government Auditing Standards (GAS); completing assigned tasks correctly and timely; not adhering to City or Office policies and procedures—Audit Management may place employees on an Employee Performance Development Plan. After receiving approval, an Audit Manager will draft the performance development plan provided in Admin 1.1.10, establish a reasonable timeline for improvement, and provide the plan to the Audit Staff person.</p> <p>The Office of the City Auditor will provide the required CPE by sending auditors to training sponsored by appropriate professional organizations or training providers, providing the CPE training in-house, and using other methods as appropriate.</p> <p>The purpose of this policy (Admin 1.2 – Professional Development) is to provide a mechanism for audit staff to maintain adequate professional competence to perform work in accordance to GAS; maintain technical knowledge and ability through learning and development; and enhance auditors’ knowledge, skills, and ability in areas applicable to performing audits. Procedures: Audit Management – Request Audit Staff complete an annual Professional Development Plan (Admin 1.2.1) to request the training they seek to obtain during the coming year.</p>	<p>See Audit Employee Training Folder for individual employee’s resume and training records and performance evaluations for Audit Personnel Binders.</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>11. The staff assigned to conduct an audit should collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that audit. (3.72)</p>	<p>The standards require that staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. Competence is derived from a blending of education and experience. Competencies are not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by an auditor in any given time period. Maintaining competence through a commitment to learning and development throughout an auditor's professional life is an important element for auditors. Competence enables an auditor to make sound professional judgments. Audit management will assign staff to audits (financial, attestation, and performance), based on staff technical knowledge, skills, and experience.</p>	<p>See Audit Employee Training Folder for individual employee's resume and training records.</p> <p>See Staff Assignment Form, w/p ____</p>
<p>12. Auditors performing financial audits or attestation engagements should be knowledgeable of the applicable financial reporting framework being used. Auditors should also be knowledgeable of relevant AICPA Standards, and competent in applying these to the audit work. (3.73-3.75)</p>	<p>The standards require that staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. Competence is derived from a blending of education and experience. Competencies are not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by an auditor in any given time period. Maintaining competence through a commitment to learning and development throughout an auditor's professional life is an important element for auditors. Competence enables an auditor to make sound professional judgments. Audit management will assign staff to audits (financial, attestation, and performance), based on staff technical knowledge, skills, and experience.</p>	<p>Was this a financial or attestation engagement?</p> <p>____ No</p> <p>____ Yes, see Audit Employee Training Folder for individual employee's resume and training records. Staff Assignment Form, w/p ____</p>
<p>13. Auditors involved in planning, directing, performing, or reporting on an audit conducted in accordance with GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.</p> <p>Auditors involved in any amount of planning, directing, or reporting on GAGAS audits, and those not involved in those activities but who charge 20 percent or more of their time annually to GAGAS audits, should obtain an additional 56 hours of CPE [80 total hours every 2 year</p>	<p>The 2011 GAO Government Auditing Standards requires auditors performing governmental audits to complete at least 80 hours of CPE each 2 year period to enhance professional competence and proficiency. The Government Auditing Standards also requires at least 20 of the 80 hours of CPE to be earned in each one of the 2 years, and that 24 hours be directly related to government auditing, the government environment or the specific or unique environment in which the audited entity operates. The City Auditor has adopted the</p>	<p>See main Audit Employee Training Folder for individual employee's training records.</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>period] that enhances the auditor's professional proficiency to perform audits.</p> <p>Auditors required to have 80 hours should complete at least 20 hours in any given year. Auditors hired or initially assigned to GAGAS audits after the 2 year CPE period begins should complete a prorated number of CPE hours. (3.76)</p>	<p>policy that all staff auditors will meet this CPE requirement. The City will provide the required CPE by sending auditors to training sponsored by appropriate professional organizations or providing the CPE training in-house.</p>	
<p>14. The audit organization should have quality control procedures to help ensure that auditors meet the continuing education requirements, including documentation of the CPE completed. (3.78)</p>	<p>It is the responsibility of City Auditor management to maintain quality control procedures to ensure auditors are in compliance with the CPE and staff competence requirements mandated by Government Auditing Standards.</p> <ul style="list-style-type: none"> • Periodically, City Auditor management will review the CPE recorded in the Training Logbook and the corresponding documentation kept in the Training Binder to verify the successful completion of CPE, and to ensure each auditor will receive training to be in compliance the Government Auditing Standards CPE requirements. • City Auditor management will continually assess the skill level needed to fulfill the scope of audit projects and provide audit staff with the training necessary to meet those needs. • Staff will be encouraged and supported to successfully complete the requirements to obtain professional certification designations such as Certified Internal Auditor, Certified Public Accountant, Certified Fraud Examiner, and/or other professional certification designations. 	<p>See main Audit Employee Training Folder for individual employee's training records.</p>
<p>15. The audit team should determine if external/internal specialists are qualified and competent in their areas of specialization. CPE requirements only apply to internal specialists who direct or perform audit procedures, or who report on GAGAS audits as part of the audit team. (3.79-3.81)</p>	<p>In the event the Office of the City Auditor utilizes the services of external specialists to assist in performing GAGAS assignments, the City Auditor or his designee will assess the professional qualifications of such specialists including GAGAS CPE requirements, and document their findings and conclusions.</p>	<p>Were external specialists utilized in this audit?</p> <p>___ No</p> <p>___ Yes, see w/p ___</p>
<p>GENERAL STANDARD ON QUALITY CONTROL AND ASSURANCE</p> <p>Each audit organization performing audits in accordance with GAGAS must:</p> <p>a. establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and</p>		

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>b. have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years. (3.82, 3.84)</p>		
<p>16. Each audit organization should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures. Policies and procedures should collectively address:</p> <p>A. Leadership responsibilities for quality within the audit organization. (3.85-3.87)</p> <p>B. Independence, legal, and ethical requirements. (3.85, 3.88)</p> <p>C. Initiation, acceptance, and continuance of audits. (3.85, 3.89)</p> <p>D. Human resource processes to reasonably ensure personnel are capable and competent to perform audits in accordance with professional standards, legal and regulatory requirements. (3.85, 3.90)</p> <p>E. Audit performance, documentation, and reporting processes to reasonably ensure audits are performed and reported in accordance with professional standards, legal and regulatory requirements and policies and procedures for safe custody and retention of audit documentation. (3.85, 3.91-3.92)</p> <p>F. Monitoring of quality, including analyses of its monitoring process and identification of systemic issues needing improvement, at least annually. (3.85, 3.93-3.95)</p>	<p>The Office of the City Auditor's quality control policies and procedures are document in Section 3 of the Audit Manual. Specifically, the completion of an Audit Standard Plan for each review documents compliance with Generally Accepted Government Auditing Standards.</p> <p>On annual basis, audit management will review its monitoring of quality procedures and analyze and summarize the results at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action.</p>	<p>See Section 3 of the Audit Manual and the completed Audit Standard Plan.</p> <p>See the Results of Annual Monitoring Procedures Review.</p>
<p>17. The audit organization should 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. (3.82, 3.96)</p>	<p>The policy is to comply with the external peer review requirement by having an external peer review every three years. The peer review could be done through a professional association, such as the Association of Local Government Auditors, or through an outside auditing firm.</p>	<p>See the most recent peer review report on the City Auditor's website</p>

GAGAS 2011 Language ALGA QCS Checklist	OCA Policies and Procedures Reference Description	Documentary Evidence
<p>18. An external audit organization²⁴ should make its most recent peer review report publicly available; for example, by posting the peer review report on a publicly available web site or to a publicly available file designed for public transparency of peer review results. Internal audit organizations that report to internally to management and those charged with governance should provide a copy of the peer review report to those charged with governance. (3.105)</p>	<p>The results of the peer review will presented to the Audit Committee and the report posted on the City Auditor's Website.</p>	<p>See the most recent peer review report on the City Auditor's website</p>

²⁴ An external audit organization is defined in paragraph 1.08 of GAS.

STANDARDS FOR PERFORMANCE AUDITS
FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING
(QCS items 19-45 are for Financial and Attestation Audits and do not apply to Performance Audits)

<p>19. Auditors must plan and document the planning of the audit work necessary to address the audit objectives, scope and methodology such that their work will provide reasonable assurance that sufficient, appropriate evidence will support their findings and conclusions. Auditors should assess significance and audit risk when defining the audit objectives, scope, and methodology. (6.06, 6.07, 6.10)</p>	<p>Audit planning is a comprehensive process that includes a preliminary survey and risk assessment. The purpose of audit planning process is to generate information and ideas to better understand the audit subject, determine the audit objective, and to develop the audit field work program. Planning also involves estimating the time and resources necessary to complete the audit. The evidence gathered in background research and later fieldwork is documented in the working papers. Key outputs of audit planning include an audit planning memorandum; audit scope statement; risk and vulnerability assessment document; and field work audit program.</p>	<p>See Audit Program ____</p> <p>Audit Planning Memorandum w/p ____</p> <p>Audit Scope Statement, w/p ____</p> <p>Risk and Vulnerability Assessment Document, w/p ____</p>
<p>20. Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of the:</p> <ul style="list-style-type: none"> • Nature and profile of the program and user needs (6.11a, 6.13) • Design and implementation of internal controls (6.11b, 6.16) • Design and implementation of information system controls (6.11c, 6.24, 6.27) • Legal and regulatory requirements, contract provisions, grant agreements, potential fraud and abuse (6.11d, 6.28, 6.30-6.32, 6.34) • Impact of ongoing investigation and legal proceedings (6.11e, 6.35) • Results of previous engagements (6.11f, 6.36) 	<p>In the Office of the City Auditor, audit risk will be assessed in the audit planning phase of the audit and quality control component of the audit process. Once an entrance conference has been held, the in-charge auditor obtains and reviews <u>relevant</u> information related to the audit request. This may include obtaining information regarding the auditee’s mission, goals and objectives, organizational structure, policies and procedures, processes, resources, outputs, and outcomes. The auditor’s goal is to understand the program to be audited and to finalize the audit objectives. To accomplish these tasks, auditors should undertake a preliminary audit program to do the following:</p> <ul style="list-style-type: none"> • Review any resolution, committee and Independent Budget Analyst reports, testimony, and other pertinent documents, such as committee hearing notes and reports relating to the audit subject; • Review the City Charter, ordinances, contracts, grant agreements, program memoranda, annual reports, recent budget requests, testimony, internal reports, policy and procedure manuals, and organizational charts relating to the audit subject; • Review relevant literature, including identifying criteria and related audits conducted by other local government auditors; • Interview agency staff; 	<p>See Audit Program ____</p> <p>See Audit Planning Memorandum ____</p> <p>See Risk Assessment ____</p>

	<ul style="list-style-type: none"> • Review agency files and key memorandums and reports related to the audit; • Observe and document agency activities related to the audit; • Review the results of previous audits and attestation engagements that directly relate to the current audit objectives. 	
21. To the extent relevant to the audit objectives, auditors should identify potential criteria and sources of audit evidence, including the work of other auditors or experts, necessary to plan the audit work. (6.12 a-c, 6.37, 6.38, 6.40-6.42)	<p>Upon completion of the Audit Planning Memorandum, the in-charge auditor will develop a Scoping Statement. The purpose of the Scoping Statement is to document and define the audit scope by establishing key audit questions to answer, identifying potential sources of evidence, and developing an audit budget. This process is intended to keep the planning process to a minimum by focusing on what we are going to do, why we are going to do it, and how we are going to do it. If done properly, the scoping work will help the team focus its risk assessment work around the tentative scope, methodology and objectives of the audit. The supervisor and in-charge auditor submit the Scoping Statement to the City Auditor for approval and review. A meeting will be held to discuss the scoping statement and the Audit Planning Memorandum.</p>	See audit scoping statement w/p ____
22. Based on assessment of the information gained, auditors should determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. When auditors conclude that sufficient, appropriate evidence is not available, auditors should evaluate whether internal control or other program weaknesses are the cause. (6.39)	<p>The purpose of the Scoping Statement is to document and define the audit scope by establishing key audit questions to answer, identifying potential sources of evidence, and developing an audit budget.</p> <p>When auditors conclude that sufficient, appropriate evidence is not available, auditors should evaluate whether internal control or other program weaknesses are the cause.</p>	<p>See audit scoping statement w/p ____</p> <p>Was sufficient, appropriate evidence available?</p> <p>___ Yes</p> <p>___ No See w/p reference ____</p>
23. Auditors should extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred. If the potential fraud is not significant to the audit objectives, auditors may conduct additional work as a separate engagement or refer the matter to other parties with oversight responsibility. Auditors should avoid interfering with legal proceedings or investigations. (6.32, 6.34-6.35)	<p>Auditors should extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred. Auditors should document in the working papers and audit program when audit procedures are extended. If the potential fraud is not significant to the audit objectives, auditors may conduct additional work as a separate engagement or refer the matter to other parties with oversight responsibility. In fraud-related situations, our policy will be not to interfere with legal proceedings or investigations.</p>	<p>Was fraud or abuse noted in the working papers or report?</p> <p>___ None reported</p> <p>___ Yes, see w/p ____ (includes Specialist's Independence Statement)</p>

<p>24. Auditors who intend to use the work of a specialist should assess the specialist’s professional qualifications and independence, which involves the following:</p> <ul style="list-style-type: none"> - Professional Certifications - Licenses, or other recognition of competence - Reputation and standing with peers - Experience and previous work - Prior experience the auditor has had with the specialist <p>Assessing independence includes identifying threats and applying safeguards in the same manner as would apply to assigned auditors. (6.12d, 6.43-6.44)</p>	<p>In the event the Office of the City Auditor utilizes the services of external specialists to assist in performing GAGAS assignments, the City Auditor or his designee will assess the professional qualifications and competency of such specialists including GAGAS CPE requirements, and document their findings and conclusions.</p>	<p>Were external specialists utilized in this audit?</p> <p>___ No</p> <p>___ Yes, see w/p ____</p>
<p>25. Audit management should assign a sufficient number of staff with the appropriate collective skill and competence to perform the audit, including staff and supervisors, providing for on-the-job training of staff, and engaging specialists when necessary. Auditors should document the nature and scope of work to be performed by specialists engaged. (6.12d, 6.45-6.46)</p>	<p>The City Auditor assigns staff to the audit based on input from the Audit Manager. Staff assignments will be based on auditor availability, experience, knowledge, and familiarity with the audit subject. For each audit, a Staff Assignment Form will be completed to document assignment approval, and staff competence. After staff are assigned to an audit, an initial team meeting is held with the City Auditor to share information, discuss strategy (such as which officials to contact), and learn of the auditor’s expectations. The meeting helps to identify project issues, their significance to potential users of the audit report, the contribution the office can make, and the availability of data and resources, and whether a consultant is required for the project. The in-charge summarizes the meeting in a memo, obtains approval from the supervisor, and forwards a copy to the City Auditor.</p>	<p>See Staff Assignment Form, w/p ____</p>
<p>26. Auditors should communicate an overview of the planned objectives, scope, methodology, timing and reporting of the performance audit to management of the audited entity, those charged with governance, and requestors as applicable; except when communication would impair ability to obtain evidence.</p> <p>Auditors should document the communication and any process used to identify those who should receive communications.</p> <p>If an audit is terminated before it is completed and no audit report is issued, auditors should document the results of their work to date and why it was terminated. (6.12e, 6.47-6.50)</p>	<p>Once the job start letter has been sent to the auditee, the in-charge auditor will schedule an entrance conference to meet with the agency head and key staff. At the entrance conference, the City Auditor will: (1) introduce the members of the audit team, including the Audit Supervisor (2) explain the audit objective, scope, and methodology, and general process and timetable for the audit work, including the agency’s deadlines to respond to preliminary findings and to the preliminary draft; (3) gain an understanding of the protocol to be followed in contacting staff and requesting information; (4) if applicable, request work space and network connectivity for the audit, and (5) solicit the views and concerns of the agency head on the project. Audit staff must document the meeting results, including a list of meeting attendees.</p>	<p>See Job Start Letter w/p ____</p> <p>Entrance Conference w/p ____</p>

<p>27. Auditors must prepare a written audit plan for each audit. Auditors should update the plan as necessary. (6.12f; 6.51)</p>	<p>Based on the results of the scope review, preliminary survey, and risk assessment, the auditor develops an audit program that consists of the audit objectives, scope, methodology, and related concerns. The audit program includes detailed audit steps, tasks, and procedures to test if the identified controls or procedures the audited entity has in place to prevent, eliminate, or minimize identified threats are working as intended. The supervisor reviews the audit program and the City Auditor approves the document.</p> <p>Auditors should follow the Audit Procedure Guidelines listed in developing the specific audit steps listed in the audit program. Specifically, based on the risk and vulnerability assessment, the in-charge auditor will write the audit program to determine if the controls or procedures the audited entity has in place to prevent, eliminate, or minimize identified threats are working as intended. As the audit progress, the audit staff should document the key decisions about the audit objectives, scope, and methodology.</p>	<p>See field work audit program, w/p _____</p>
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FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: SUPERVISION

<p>28. Audit supervisors must properly supervise audit staff. Elements of supervision include:</p> <ul style="list-style-type: none"> - Directing and guiding staff members in conducting work and following standards, - Staying informed about significant problems encountered, - Reviewing the work performed before the audit report is issued, and - Providing effective on-the-job training. <p>The nature and extent of supervision of staff and the review of audit work may vary depending on a number of factors. Reviews of audit work should be documented. (6.53-6.55, 6.83c)</p>	<p>The Supervising Auditor review ensures that the quality control reviews are performed on time and adequately documented. Supervisory review usually consists of continuous review of audit work and working papers. Supervisory review also helps ensure that all audit reports are supported by evidence documented in the audit workpapers; opinions and conclusions are logical and consistent; and all applicable GAGAS standards were met. Supervisory review includes:</p> <ul style="list-style-type: none"> (f) attendance at team meetings to monitor audit progress; (g) participation at the preliminary survey meeting to discuss potential risk exposures of organizational unit under review and define areas that warrant audit attention; (h) participation at fieldwork meetings to review audit results and finalize draft outline; (i) review of key working papers; and (j) review of draft reports. 	<p>See the reporting structure documented in the Office of the City Auditor Organizational Chart</p> <p>See page 1 of Audit Standard Plan sign-off sheet for evidence of supervisory review of working papers.</p> <p>See Review of Evidence Form _____</p>
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	<p>The Supervising Auditor Review includes the review of workpapers to ensure that the audit workpapers comply with the workpaper organization and control guidelines described in the Audit Manual and Government Auditing Standards. Subject to the approval of the City Auditor, the Supervising Auditor may delegate the review of workpapers to another member of the audit staff provided that person is sufficiently experienced and competent to perform the task(s).</p> <p>The In-Charge/Supervising Auditor is responsible for ensuring that the audit is performed in accordance with Government Auditing Standards and the City Auditor Policies and Procedures Manual. The In-Charge Review includes assessing the requirements of the audit assignment.</p>	
FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: <u>EVIDENCE</u>		
<p>29. Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. Sufficiency refers to the amount of evidence gathered and presented. Appropriateness refers to the quality of evidence including its relevance to the audit objectives, reliability, and validity. (6.56-5.57)</p>	<p>Audit Manual Section 6 covers the Office of the City Auditor's policy regarding audit evidence. Section 6 addresses elements critical to a successful fieldwork process including types and tests of evidence, conducting interviews, audit sampling, preparation of audit working papers, securing and disclosing working papers, testing for compliance, and developing preliminary findings.</p>	<p>See audit summary workpapers, pages _____</p>
<p>30. Document assessment that evidence taken as a whole is sufficient and appropriate for addressing audit objectives and supporting findings and conclusions. (6.58, 6.67, 6.69)</p>	<p>In order to document compliance with GAGAS, a Review of Evidence form will be completed for each audit assignment. The Audit Manager in charge of the assignment will review the evidence documented in the workpapers to determine if the evidence taken as a whole, including the use of testimonial evidence and appropriateness of computer-processed information, is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions. Based on the assessment of the evidence, apply additional procedures, redefine the audit objectives, or revise the findings and conclusions, if necessary.</p>	<p>See Review of Evidence Form, w/p _____</p>
<p>31. Evaluate testimonial evidence and information provided by officials when used as evidence. (6.62, 6.65)</p>	<p>Testimonial evidence is obtained through responses to inquiries, surveys, or interviews. Testimonial evidence is usually the weakest form of evidence and generally not used to support key audit findings. Testimonial representations may be included in report,</p>	<p>See Review of Evidence Form _____</p>

	<p>but must be attributed. Whenever possible, important information from interviews is corroborated with additional evidence. Testimonial evidence obtained under conditions where persons may speak freely is more competent than testimonial evidence obtained under compromising conditions.</p> <p>Testimonial evidence obtained from an individual who is not biased or has complete knowledge about the area is more competent than testimonial evidence obtained from an individual who is biased or has only partial knowledge about the area.</p> <p>When auditors use information provided by officials of the audited entity as part of their evidence, they should determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability of the information. The auditor may find it necessary to perform testing of management's procedures to obtain assurance or perform direct testing of the information. The nature and extent of the auditors' procedures will depend on the significance of the information to the audit objectives and the nature of the information being used.</p>	
<p>32. Assess sufficiency and appropriateness of computer-processed information. (6.66)</p>	<p>Data gathered by the auditee can be used by audit staff as part of their evidence. Audit staff may determine the validity and reliability of the data by direct tests of the data. The amount of such tests of the data can be reduced if a test of the effectiveness of the entity's controls over the validity and reliability of the data support the conclusion that the controls are effective. The nature and extent of testing of the data will depend on the significance of the data to support audit findings. Audit staff should document tests done regarding the reliability of the data obtained from the auditee.</p> <p>When the tests of data disclose errors in the data, or when audit staff are unable to obtain sufficient, competent, and relevant evidence about the validity and reliability of the data, audit staff may find it necessary to (1) seek evidence from other sources, (2) redefine the audit's objectives to eliminate the need to use the data, or (3) use the data, but clearly indicate the data's limitations and refrain from making unwarranted conclusions or recommendations.</p> <p>Evidence may also include data gathered by third parties. In some cases, these data may have been audited by others and in other</p>	<p>See audit working papers in MKInsight</p> <p>See Data Reliability w/p _____</p>

	cases, it may not be practical to obtain evidence of the data's validity and reliability. The use of un-audited third-party data in an audit report will depend on the data's significance to the audit findings.	
33. Based on the assessment of the evidence, apply additional procedures, redefine the audit objectives, or revise the findings and conclusions, if necessary. (6.71-6.72)	In order to document compliance with GAGAS, a Review of Evidence form will be completed for each audit assignment. The Audit Manager in charge of the assignment will review the evidence documented in the workpapers to determine if the evidence taken as a whole, including the use of testimonial evidence and appropriateness of computer-processed information, is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions. Based on the assessment of the evidence, apply additional procedures, redefine the audit objectives, or revise the findings and conclusions, if necessary.	See Review of Evidence Form, w/p _____
34. Plan and perform procedures to develop the elements of a finding to address audit objectives and develop recommendations for corrective action. (6.73)	Audit findings must contain condition, criteria, cause, effect, and recommendations. However, the elements needed for a finding depend entirely on the objectives of the audit. A finding or set of findings is complete to the extent that the audit objectives are satisfied and the report clearly relates those objectives to the finding's elements. For each audit finding, a Finding Development Worksheet form should be completed.	See Finding Development Worksheet in MKInsight w/p _____
FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: DOCUMENTATION		
35. Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit before issuing the report. Documentation should provide enough detail for an experienced auditor to understand the nature, timing, extent and results of work; evidence obtained; sources of evidence; and auditors' conclusions and significant judgments including: <ul style="list-style-type: none"> • objectives, scope, methodology of the audit; • work performed and evidence obtained to support significant judgments and conclusions, including descriptions of transactions and records examined; • evidence of supervisory review of the evidence that supports the findings, conclusions, and recommendations. (6.79-6.83) 	<p>Audit evidence is documented in audit working papers. Data gathered by audit staff include their own observations and measurements, questionnaires, structured interviews, direct observations, and computations.</p> <p>Data gathered by the auditee can be used by audit staff as part of their evidence. Audit staff may determine the validity and reliability of the data by direct tests of the data. The amount of such tests of the data can be reduced if a test of the effectiveness of the entity's controls over the validity and reliability of the data support the conclusion that the controls are effective. The nature and extent of testing of the data will depend on the significance of the data to support audit findings. Audit staff should document tests done regarding the reliability of the data obtained from the auditee.</p>	See audit working papers in MKInsight _____

	<p>When the tests of data disclose errors in the data, or when audit staff are unable to obtain sufficient, competent, and relevant evidence about the validity and reliability of the data, audit staff may find it necessary to (1) seek evidence from other sources, (2) redefine the audit's objectives to eliminate the need to use the data, or (3) use the data, but clearly indicate the data's limitations and refrain from making unwarranted conclusions or recommendations.</p> <p>Evidence may also include data gathered by third parties. In some cases, these data may have been audited by others and in other cases, it may not be practical to obtain evidence of the data's validity and reliability. The use of un-audited third-party data in an audit report will depend on the data's significance to the audit findings.</p>	
<p>36. Auditors should document departures from GAGAS requirements and the impact on the audit and auditors' conclusions (6.84)</p>	<p>Auditors should document in the working papers departures from GAS requirements and the impact on the audit and auditors' conclusions.</p>	<p>Did the auditors depart from GAS requirements?</p> <p><input type="checkbox"/> None reported</p> <p><input type="checkbox"/> Yes See w/p reference _____</p>
<p>37. The audit organization should make appropriate individuals and audit documentation available to other auditors or reviewers upon request, subject to applicable laws and regulations. (6.85)</p>	<p>During the course of a project, the in-charge and team members are responsible for the safe custody of working papers. These materials must be protected from theft or destruction and be accessible only to authorized persons. As a general rule, working papers should not be left at the auditees' work site unless they can be secured under lock. As needed, sensitive or confidential materials may be placed in locked cabinets. To safeguard their data, auditors should back up their computer data files to a zip drive or disk as necessary.</p> <p>In order to comply with California State Government Code Section 36525 regarding retention and disclosure of audit working papers, the Audit Office policy will include the following:</p> <ul style="list-style-type: none"> • Retain all audit work papers on site for at least three years. • Retain workpapers in City storage for at least five years to comply with City retention policy. • Retain financial or Federal grant related workpapers for at least seven years to comply with 	<p>See audit manual section 6 for the Office of the City Auditor's policies and procedures regarding working paper documentation.</p>

	<p>Federal regulations [Federal Register Volume 69 No.138].</p> <p>Withhold from public disclosure all information related to audits that are in progress and not yet completed.</p> <p>Withhold from public disclosure information that is collected in the course of audit work, but is not used to support a specific finding in the audit.</p> <p>At the City Auditor's discretion, hold confidential any information from anyone cooperating with an audit who has requested, in writing, that we do so.</p>	
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REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORTING

<p>38. Auditors must issue audit reports communicating the results of each completed performance audit. Auditors should use a form of the audit report that is appropriate for its intended use and is in writing or in some other retrievable form. The purposes of audit reports are to:</p> <ul style="list-style-type: none"> • Communicate the results of audits to the appropriate officials • Make results less susceptible to misunderstanding • Make results available to the public, unless specifically limited (see 7.40) • Facilitate follow-up to determine whether appropriate corrective actions have been taken (7.03-05) <p>If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (7.06)</p>	<p>Section 7 of the Audit Manual documents the report writing process, identifies GAGAS standards related to reporting for performance audits, and documents the Office of the City Auditor policies and procedures and steps related to developing and issuing an audit report. The reporting standards for performance audits relate to the form of the report, the report contents, and report issuance and distribution.</p> <p>Auditing standards require that auditors must issue audit reports communicating the results of each completed performance audit. The standards provide auditors flexibility in determining reporting format. Auditors should use a form of the audit report that is appropriate for its intended use and is in writing or in some other retrievable form. For example, auditors may present audit reports using electronic media that are retrievable by report users and the audit organization. The users' needs will influence the form of the audit report. Different forms of audit reports include written reports, letters, briefing slides, or other presentation materials. The City Auditor will decide on the most appropriate report format.</p>	<p>See audit report, w/p _____</p>
<p>39. If after the report is issued, auditors discover that they did not have sufficient, appropriate evidence, they should communicate this information to appropriate officials, remove the report from publicly accessible websites, and determine whether to conduct additional audit work necessary to revise or confirm the original findings and conclusions. (7.07)</p>	<p>If after a report is issued, auditors discover that they did not have sufficient, appropriate evidence, the City Auditor will communicate this information to appropriate officials, remove the report from the Office of the City Auditor website, and determine whether to conduct additional audit work necessary to reissue the report with revised findings or conclusions.</p>	<p>Audit staff assigned to this project have been made aware of this requirement.</p>

REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORT CONTENTS

<p>40. Auditors should prepare audit reports that contain:</p> <ul style="list-style-type: none"> - Objectives, scope (including limitations and constraints), and methodology of the audit; - Audit results, including findings, conclusions, and recommendations, as appropriate; - Statement about the auditors' compliance with GAGAS; - Summary of the views of responsible officials; and - Nature of any confidential or sensitive information omitted, if applicable; • In reporting methodology when sampling significantly supports findings, conclusion. Or recommendations, include same design, the reason it was chosen, and whether results can be projected to the population. (7.08-13) 	<p>Auditors should prepare audit reports that contain (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about the auditors' compliance with GAGAS; (4) a summary of the views of responsible officials; (5) if applicable, the nature of any confidential or sensitive information omitted; and (6) the methodology of sampling used, along with the design, the reason for the chose and whether the results ca be projected to the population. The Audit Standards Plan will document compliance with these provisions. The published report should include an executive summary, mission statement describing the purpose and authority of the office, title page, transmittal letter, table of contents, introductory material, background, findings, recommendations, notes, appendixes, and responses of the affected agencies.</p>	<p>See audit report:</p> <p>Objective, scope, and Methodology, Page _____</p> <p>Findings, page _____</p> <p>Conclusions, page _____</p> <p>Recommendation page _____</p> <p>Compliance statement, page _____</p> <p>Responsible views, page _____</p> <p>If applicable, confidential or sensitive information omitted, page _____</p>
<p>41. In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives.</p> <p>Auditors should describe limitations or uncertainties with the reliability or validity of evidence, should place their findings in perspective by describing the nature and extent of the issues, should disclose significant facts relevant to the objectives of their work, and should report deficiencies in internal control; instances of fraud, non-compliance with laws or regulations, contracts, or grant agreements; or abuse that are significant within the context of the audit objectives. (7.14-7.18)</p>	<p>1. Audit Supervisor reviews the draft report by checking that evidence is accurate and sufficient and that the findings, conclusions, and recommendations are well-argued and supported.</p> <ul style="list-style-type: none"> • Overall quality of the draft and its consistency with the reporting standards for content and presentation. • Responsiveness to the assignment objectives. • Soundness of the evidence supporting the findings and recommendations. • Logic, reasonableness, and soundness of the argument supporting the findings and recommendations. • Appropriateness, constructiveness, and specificity of recommendations. • Professional quality of the writing and presentation. <p>Once the Supervisor's comments have been addressed, the report draft is submitted to the City Auditor for review.</p> <p>2. The City Auditor reviews the draft report for message content, readability, and tone. The in-charge auditor makes changes to the report draft as appropriate and submits the revised report draft back to the City Auditor</p>	<p>See Independent Report Review, w/p _____</p>

	<p>for review. At this point, the report draft may undergo a separate editorial review.</p> <p>3. After the City Auditor approves the draft report for issuance, the draft report undergoes an Independent Report Review. As discussed in Section 3, the independent report review is an important component of our quality assurance program. It is a detailed word-by-word, line-by-line examination of an indexed office draft of the report to ensure that its contents are accurate and supported. The City Auditor or Supervisor assigns an audit staff member who has not worked on the project to verify the accuracy of the information and whether the evidence supports the contents of the draft. Once this process is complete, the report will be prepared for distribution, including proper formatting.</p>	
<p>42. Auditors should include in the audit report:</p> <ul style="list-style-type: none"> • the scope of their work on internal control, and • any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. <p>Auditors should document and refer to any written communication regarding internal control deficiencies in the audit report if such communication is separate from the audit report. (7.19)</p>	<p>Auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. When auditors detect deficiencies in internal control that are not significant to the objectives of the audit, they may include those deficiencies in the report or communicate those deficiencies in writing to officials of the audited entity unless the deficiencies are inconsequential considering both qualitative and quantitative factors. Auditors should refer to that written communication in the audit report, if the written communication is separate from the audit report.</p>	<p>See audit report, page _____</p>
<p>43. When auditors conclude, based on sufficient, appropriate evidence, that fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse either has occurred or is likely to have occurred which is significant to the audit objectives, they should report the matter, in writing, as a finding. (7.21-7.22)</p>	<p>When auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should report the matter as a finding.</p> <p>When auditors detect violations of provisions of contracts or grant agreements, or abuse that are not significant, they should communicate those findings in writing to officials of the audited entity unless the findings are inconsequential within the context of the audit objectives, considering both qualitative and quantitative factors. Determining whether or how to communicate to officials of the audited</p>	<p>If applicable, see audit report, page _____</p>

	<p>entity fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that is inconsequential is a matter of the auditors' professional judgment. Auditors should document such communications.</p> <p>When fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse either have occurred or are likely to have occurred, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings, and for example, report only on information that is already a part of the public record.</p>	
<p>44. Auditors should report known or likely fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse directly to parties outside the audited entity when, (a) entity management fails to satisfy legal or regulatory requirements to report such information to external parties, and/or (b) when entity management fails to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse. (7.24-7.26)</p>	<p>When auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should report the matter as a finding.</p> <p>When auditors detect violations of provisions of contracts or grant agreements, or abuse that are not significant, they should communicate those findings in writing to officials of the audited entity unless the findings are inconsequential within the context of the audit objectives, considering both qualitative and quantitative factors. Determining whether or how to communicate to officials of the audited entity fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that is inconsequential is a matter of the auditors' professional judgment. Auditors should document such communications.</p> <p>When fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse either have occurred or are likely to have occurred, auditors may consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings. Auditors may limit their public reporting to matters that would not compromise those proceedings, and for example, report only on information that is already a part of the public record.</p>	<p>If applicable, see audit report, page _____</p>

<p>45. Auditors should report conclusions based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. (7.27)</p>	<p>Auditors should report conclusions, as applicable, based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. The strength of the auditors' conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are stronger if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary. All audit reports must have conclusions.</p>	<p>See report, page _____.</p>
<p>46. Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended. (7.28-7.29)</p>	<p>Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended. Effective recommendations encourage improvements in the conduct of government programs and operations. Recommendations are effective when they are addressed to parties that have the authority to act and when the recommended actions are specific, practical, cost effective, and measurable.</p> <p>Recommendations should be specific and clear, and directed at resolving the cause of identified problems. Auditors should avoid using verbs such as, consider or may in report recommendations, but make recommendations that are action oriented. Recommendations should be made to improve operations or program effectiveness, or improve economy and effectiveness.</p>	<p>See audit report, recommendations on page, _____.</p>
<p>47. When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the audit report to indicate that they performed the audit in accordance with GAGAS. [See 2.24, 2.25]</p>	<p>All City Auditor reports will be done in accordance to GAGAS and will have the required statement in the Objective, Scope, and Methodology section of the audit report. In the event of non-compliance with any applicable GAGAS requirement, we should include a modified GAGAS compliance statement in the audit report. We can</p>	<p>Standards statement is shown on report page, _____</p> <p>Was the statement modified?</p> <p>No _____</p>

<p>We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.</p> <p>When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report [See 2.24, 2.25]. (7.08, 7.30-7.31)</p>	<p>modify the above statement and indicate the standard that was not followed or specify that we did not follow GAGAS.</p>	<p>Yes _____, see page _____</p>
<p>48. Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including responsible officials' views results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take.</p> <p>Obtaining the comments in writing is preferred, but oral comments are acceptable.</p> <p>Auditors should include in their report a copy of any written comments from responsible officials when received or a summary of the written or oral comments. Where appropriate, auditors should include an evaluation of the comments, and if auditors disagree with the comments, they should explain their reasons. Conversely, auditors should modify their report if they find the comments valid and supported with sufficient, appropriate evidence. (7.08, 7.32-7.38)</p>	<p>All audited entity officials will be provided ample opportunity to review and comment on draft audit reports. Once a draft audit report has been approved by the City Auditor and has undergone Independent Report Review, a draft report will be issued to management to discuss at an exit conference.</p> <p>The purpose of the exit conference meeting is to provide the responsible officials of the audited program the opportunity to state their views concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned. To ensure that the audit report is fair, complete, and objective, the City Auditor provides the auditee an audit report draft and invites auditee representatives to the Exit Conference in which the auditee representatives can state their views concerning the audit findings, conclusions, and recommendations. At this meeting, the auditee representatives will also explain the corrections they plan to do in response to the audit findings and recommendations. Based on the outcome of the exit conference, a final draft report, incorporating any changes discussed at the meeting will be issued to management. Entity management will have two weeks to respond to the final draft report. The City Auditor may grant a one week extension.</p> <p>Note: the new response period will require changing Administrative Regulation 15.10 which allows Department Directors 60 days to respond to audit recommendations.</p> <p>In addition to their written response, entity management may submit a separate one to two page memorandum of program accomplishments to include in the final draft report. This memorandum helps ensure that the final report is fair, complete, and objective.</p>	<p>See exit conference w/p _____</p> <p>See preliminary draft transmittal letter to auditee w/p _____</p>

<p>49. If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary.</p> <p>When certain information is classified or otherwise prohibited from general disclosure by federal, state, or local laws or regulations, auditors may issue a separate, classified or limited use report to only persons authorized by law or regulation to receive it.</p> <p>Auditors should evaluate whether excluding certain information is appropriate considering the broad public interest in the program or activity under review. When audit organizations are subject to public records laws, auditors should determine whether those laws could impact the availability of classified or limited use reports and whether other means of communicating to officials would be more appropriate. (7.08, 7.39-7.43)</p>	<p>If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary.</p> <p>Certain information may be classified or may be otherwise prohibited from general disclosure by federal, state, or local laws or regulations. In such circumstances, auditors may issue a separate, classified or limited use report containing such information and distribute the report only to persons authorize. Additional circumstances associated with public safety and security concerns could also justify the exclusion of certain information from a publicly available or widely distributed report.</p>	<p>Was information omitted from the audit report?</p> <p>___ No</p> <p>___ Yes, see report page _____</p>
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REPORTING STANDARDS FOR PERFORMANCE AUDITS: DISTRIBUTING REPORTS

<p>50. Auditors should document any limitation on report distribution. (7.44)</p> <p>Audit organizations in government entities should distribute audit reports to:</p> <ul style="list-style-type: none"> • Those charged with governance • Appropriate officials of the audited entity • Appropriate oversight bodies or organizations requiring or arranging for the audits • Others authorized to receive such reports as appropriate <p><u>Internal audit</u> organizations in government entities should communicate results to parties who can ensure that the results are given due consideration. Prior to releasing results to parties outside the organization, the head of the audit organization should:</p> <ul style="list-style-type: none"> - Assess the potential risk to the organization - Consult with senior management or legal counsel as appropriate - Control dissemination by indicating the intended users of the report 	<p>Auditing standards require that we distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports. All reports will be made available to the public by posting them on the City Auditors website except when certain information may be classified or otherwise prohibited from general disclosure.</p>	<p>See audit transmittal letter, page _____</p>
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