

APPENDIX G

G. AUDIT ORGANIZATION DESCRIPTION OF QUALITY CONTROL SYSTEM RELATED TO ETHICAL PRINCIPLES IN GOVERNMENT AUDITING ALGA Peer Review Guide (2011)

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).

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.

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 position; and e. professional behavior. (GAS 1.14)

P&P Document Reference: Section II-B

QCS Description:

- *Page 5; Section II, Paragraph B, Ethical Principles – The City Auditor’s Office requires all auditors to follow ethical principles identified in GAGAS.*
- *Page 34; Section IV, Paragraphs A and B provide auditors guidance on appropriate rules of conduct and confidentiality.*
- *Page 40: Section IV, paragraph BB references the City’s personnel policies and GAGAS as they relate to prohibited activities*

APPENDIX G

H. AUDIT ORGANIZATION DESCRIPTION OF QUALITY CONTROL SYSTEM

ALGA Peer Review Guide (2011)

GENERAL STANDARD ON INDEPENDENCE: 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)

1. Audit organizations are responsible for establishing an internal quality control system to assure compliance with the independence standard. Quality control system procedures should include:
 - Verify auditors were independent during the period covered by the subject matter of the audit and the period of the engagement. (3.05)
 - 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)
 - Evaluate the categories of threats to independence: self-interest, self-review, bias, familiarity, undue influence, management participation, and structural. (3.14)
 - Decline or terminate the audit if threats cannot be eliminated or reduced to an acceptable level. (3.25)
 - Evaluate the impacts of threats identified after report issuance and take appropriate steps. (3.26)

P&P Document Reference and QCS Description:

- *Page 6-9; Section II, Paragraph C, Independence – The City Auditor’s Office applies the conceptual framework at the audit organization, audit, and individual auditor levels to identify any threats to independence; evaluate their significance, and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level. To address the need for independence of individual auditors, the office requires that auditors sign an independence statement before they begin work on an audit assignment. See Form 5 Auditor/Reviewer Independence Statement.*
- *Appendix A: Charter Laws, Section 3.05; City Internal Auditor*
- *Page 1, Section I, Paragraph A: Authority, References City Charter*
- *Page 2, Section I, Paragraph A: Authority, Sub-paragraph 5, References City Commission Policy P-90-1, regarding the Audit, Finance and Legislative Committee*
- *Page 28, Section III, Paragraph F: Audit Reporting, Sub-paragraph 3, Report Format (Objectives, Scope and Methodology)*

APPENDIX G

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)

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:

- 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)

External auditors or auditors who report both externally and internally; structural threats may be mitigated if the head of the audit organization is:

- directly elected by voters, or; elected, appointed, and subject to removal by a legislative body and reports the results of audits and is accountable to a legislative body, or;
- confirmed by a legislative body when appointed and whose removal is subject to oversight or approval by a legislative body, and who reports the results of audits to and is accountable to a legislative body, or;
- appointed by, accountable to, reports to, and can only be removed by a statutorily created governing body, the majority of whose members are independently elected or appointed and who are outside the organization being audited. (3.29)

P&P Document Reference and QCS Description: The City Auditor is appointed by the Gainesville City Commission, a seven member legislative body. The Mayor and City Commissioners are elected for three year terms.

- *Page 1, Section I, Paragraph A: Authority, References City Charter*
- *Page 2, Section I, Paragraph A: Authority, Sub-paragraph 5, References City Commission Policy P-90-1, regarding the Audit, Finance and Legislative Committee*
- *Page 6, Section II, Paragraph C: Independence*
- *Page 28, Section III, Paragraph F: Audit Reporting, Sub-paragraph 3, Report Format (Objectives, Scope and Methodology)*
- *Appendix A: Charter Laws: Section 3.05 City Internal Auditor*
- *Appendix D: City Commission Policy P-90-1; City Commission Audit, Finance and Legislative Committee*
- *Form 5: Auditor/Reviewer Independence Statement*

APPENDIX G

Other related in Policies and Procedures are as follows:

- *Page 1, Section I, Paragraph A: Authority, References City Charter*
- *Page 2, Section I, Paragraph A: Authority, Sub-paragraph 5, References City Commission Policy P-90-1, regarding the Audit, Finance and Legislative Committee*
- *Page 6, Section II, Paragraph C: Independence*
- *Page 28, Section III, Paragraph F: Audit Reporting, Sub-paragraph 3, Report Format (Objectives, Scope and Methodology)*
- *Appendix A: Charter Laws: Section 3.05 City Internal Auditor*
- *Appendix D: City Commission Policy P-90-1; City Commission Audit, Finance and Legislative Committee*
- *Form 5: Auditor/Reviewer Independence Statement*

External audit organizations under other organizational structures may be considered independent if they have **all** of the following statutory protections in place that:

- prevent the abolishment of the audit organization by the audited entity;
- require that if the head of the audit organization is removed from office, the head of the agency reports this fact and the reasons for removal to the legislative body;
- prevent the audited entity from interfering with the initiation, scope, timing, and completion of any audit;
- prevent the audited entity from interfering with reporting on any audit;
- require the audit organization to report to a legislative body or other independent governing body on a recurring basis;
- give the audit organization sole authority over the selection, retention, advancement, and dismissal of its staff, and
- grant access to records and documents that relate to the agency, program, or function being audited, and access to individuals as needed to conduct the audit.

The audit organization should document how each of the safeguards was satisfied and provide documentation to external peer reviewers.
(3.30, 3.59)

Internal audit organizations are considered to be organizationally independent for the purposes of reporting internally if the head of the audit organization meets all of the following criteria:

- is accountable to the head or deputy head of the government entity or to those charged with governance;
- reports the results both to the head or deputy head of the government entity and those charged with governance;

APPENDIX G

- is located organizationally outside the staff or line management function of the unit under audit;
 - has access to those charged with governance; and
 - is sufficiently removed from political pressure. (3.31)
3. Before an auditor agrees to provide a **nonaudit service** to an audited entity the auditor should:
- 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)
 - 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)
 - 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)
 - Document their understanding with management or the governing body regarding:
 - o objectives of the nonaudit service,
 - o services to be performed,
 - o audited entity's acceptance of its responsibilities,
 - o the auditor's responsibilities,
 - o limitations of the nonaudit service. (3.39, 3.59)

P&P Document Reference and QCS Description:

- *Page 7, Section II, Paragraph C, Provision of Nonaudit Services to Audited Entities.*

The primary focus of the City Auditor's Office is to complete audits and issue resulting audit reports in compliance with Government Auditing Standards. Routine activities performed by auditors that relate directly to the performance of an audit, such as providing advice and responding to questions as part of an audit, are not considered nonaudit services under GAGAS. Such routine activities generally involve providing advice or assistance to the entity on an informal basis as part of an audit. Routine activities typically are insignificant in terms of time incurred or resources expended and generally do not result in a specific project or engagement or in the auditors producing a formal report or other formal work product. Some relevant routine activities directly related to an audit include providing advice to the audited entity on routine business matters, educating the audited entity on matters within the technical expertise of the auditors; and providing

APPENDIX G

information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies.

The Office may occasionally be requested to perform nonaudit services that are not performed in accordance with Government Auditing Standards. For such requests, the Office will always:

- *evaluate whether providing these services would create a threat to independence, either by itself or in aggregate with other nonaudit services provided;*
- *determine that the audited entity has designated an individual to oversee the nonaudit service and document consideration of the individual's ability to effectively oversee the nonaudit service;*
- *obtain assurance that management assumes all management responsibilities, will oversee the services, will evaluate the adequacy and results of the service performed and accept responsibility for the results; and*
- *document an understanding with management or the City Commission regarding the objectives and services to be performed, responsibilities of the auditor and the audited entity, as well as any specific limitations of the nonaudit service.*

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 Document Reference and QCS Description:

- *Page 7, Section II, Paragraph C, Provision of Nonaudit Services to Audited Entities.*

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 Document Reference and QCS Description:

- *Page 7, Section II, Paragraph C, Provision of Nonaudit Services to Audited Entities.*

6. When performing nonaudit services not specifically prohibited, use the conceptual framework to evaluate independence. (3.46)

P&P Document Reference and QCS Description:

APPENDIX G

- *Page 7, Section II, Paragraph C, Provision of Nonaudit Services to Audited Entities.*
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 Document Reference and QCS Description:

- *Page 7, Section II, Paragraph C, Provision of Nonaudit Services to Audited Entities.*

GENERAL STANDARD ON PROFESSIONAL JUDGMENT: Auditors must use professional judgment in planning and performing audits and in reporting the results. (3.60)

8. Professional judgment includes exercising reasonable care and professional skepticism:
- 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&P Document Reference and QCS Description:

- *Pages 5-12: Section II: Achieving Audit Quality: The Office places a significant emphasis in complying with Government Auditing Standards. In October, 1995, our Office policies and procedures were revised to help ensure that audit work is performed in accordance with these standards. Further revisions have been made and will continue as standards and practices evolve.*
- *Form 1: Review of Audit Engagement: The revised manual incorporates review forms from the ALGA Quality Control Review Guide, Review of*

APPENDIX G

Audit Engagement (Form 1) to ensure that our quality controls are adequate and that standards are followed on individual audit engagements. If for some reason we are unable to comply with an audit standard, it is disclosed in the scope and methodology section of the audit report.

GENERAL STANDARD ON COMPETENCE: 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)

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 Document Reference and QCS Description:

- *Page 10; Section II, Paragraph F: Supervision: In assigning staff to audit projects, the City Auditor matches skills and interests of auditors to areas of audit work. The City Auditor ensures that sufficient and qualified staff are assigned to each audit to ensure that audit work is conducted in a competent and timely manner.*
- *Page 11; Section II: Paragraph F: Supervision: Role of the City Auditor and Assistant City Auditor: The City Auditor considers the need for hiring outside consultants when special expertise beyond the skill of office staff is required. The City Auditor considers the competencies related to knowledge skills and experience of the Office as a whole and not necessarily to each individual auditor. The City Auditor may from time to time employ personnel or hire specialists who are knowledgeable, skilled or experienced in such areas as accounting, statistics, law, technology, public administration, economics, social sciences or actuarial science.*
- *APPENDIX O: Job Descriptions: The job classifications for auditors working in the City Auditor's Office include Executive Assistant, Staff Auditor, Senior Auditor, Assistant City Auditor and City Auditor. The minimum qualifications for each of these positions include education and work experience which help ensure that Office audit staff are qualified to conduct government audits.*

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 Document Reference and QCS Description:

APPENDIX G

- *Page 10; Section II, Paragraph F: Supervision: In assigning staff to audit projects, the City Auditor matches skills and interests of auditors to areas of audit work. The City Auditor ensures that sufficient and qualified staff are assigned to each audit to ensure that audit work is conducted in a competent and timely manner. In addition, the City Auditor, considers the need for hiring outside consultants when special expertise beyond the skill of office staff is required.*
 - *Page 11: Section II, Role of the City Auditor and Assistant City Auditor (when supervising the work of Staff Auditors) #1: Recruits and hires competent staff to assist the organization in maintaining a workforce that has adequate competence.*
 - *APPENDIX O: Job Descriptions: The job classifications for auditors working in the City Auditor's Office include Executive Assistant, Staff Auditor, Senior Auditor, Assistant City Auditor and City Auditor. The minimum qualifications for each of these positions include education and work experience which help ensure that Office audit staff are qualified to conduct government audits*
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 Document Reference and QCS Description:

- *Page 10; Section II, Paragraph F: Supervision: In assigning staff to audit projects, the City Auditor matches skills and interests of auditors to areas of audit work. The City Auditor ensures that sufficient and qualified staff are assigned to each audit to ensure that audit work is conducted in a competent and timely manner.*
- *Page 11; Section II: Paragraph F: Supervision: Role of the City Auditor and Assistant City Auditor: The City Auditor considers the need for hiring outside consultants when special expertise beyond the skill of office staff is required. The City Auditor considers the competencies related to knowledge skills and experience of the Office as a whole and not necessarily to each individual auditor. The City Auditor may from time to time employ personnel or hire specialists who are knowledgeable, skilled or experienced in such areas as accounting, statistics, law, technology, public administration, economics, social sciences or actuarial science.*
- *APPENDIX O: Job Descriptions: The job classifications for auditors working in the City Auditor's Office include Executive Assistant, Staff Auditor, Senior Auditor, Assistant City Auditor and City Auditor. The minimum qualifications for each of these positions include education and*

APPENDIX G

work experience which help ensure that Office audit staff are qualified to conduct government audits

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 Document Reference and QCS Description: Not applicable, the City Auditor's Office does not perform Financial Audits or Attestation engagements. All audits are conducted using GAGAS General Standards and Performance Audit Standards.

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.

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 also obtain at least an additional 56 hours of CPE (**80** total hours every 2 year period) that enhances the auditor's professional proficiency to perform audits.

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 Document Reference and QCS Description:

- *Page 12, Section II, Paragraph G; Training: The Office makes a significant effort to see that all auditors meet the training requirements specified in Government Auditing Standards. A record of annual training received by each auditor is maintained and available for review.*

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 Document Reference and QCS Description:

- *Page 12, Section II, Paragraph G; Training: The Office makes a significant effort to see that all auditors meet the training requirements specified in Government Auditing Standards. A record of annual training*

APPENDIX G

received by each auditor is maintained and available for review. Each auditor is responsible for discussing their training schedule with the City Auditor and maintaining a record of their completed CPE hours.

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 Document Reference and QCS Description:

- *Page 11; Section II: Paragraph F: Supervision: Role of the City Auditor and Assistant City Auditor: The City Auditor considers the need for hiring outside consultants when special expertise beyond the skill of office staff is required. The City Auditor considers the competencies related to knowledge skills and experience of the Office as a whole and not necessarily to each individual auditor. The City Auditor may from time to time employ personnel or hire specialists who are knowledgeable, skilled or experienced in such areas as accounting, statistics, law, technology, public administration, economics, social sciences or actuarial science.*

GENERAL STANDARD ON QUALITY CONTROL AND ASSURANCE

Each audit organization performing audits in accordance with GAGAS must:

- 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
 - 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)
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:
 - a. Leadership responsibilities for quality within the audit organization. (3.85-3.87)
 - b. Independence, legal, and ethical requirements. (3.85, 3.88)

APPENDIX G

- c. Initiation, acceptance, and continuance of audits. (3.85, 3.89)
- 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)
- 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)
- 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 Document Reference and QCS Description:

- *Pages 5-12, Section II: Achieving Audit Quality provides information describing policies and procedures in place to provide a) compliance with Government Auditing Standards, b) Ethical Principles, c) Independence, d) Internal Quality Controls, e) External Quality Control Reviews, f) Supervision, and g) Training.*
 - *Appendix G: We have completed the Audit Organization Description of its Quality Control System Form (from ALGA Quality Control Review Guide) as Appendix G in our Office Policies and Procedures to help ensure that our Quality Control System is adequate.*
 - *Form 1: The Review of Audit Engagement Form (from ALGA Quality Control Review Guide) is completed for each audit to ensure the engagement conforms with auditing standards.*
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 Document Reference and QCS Description:

- *Page 10, Section II, Paragraph E: External Quality Control Review*

The Office completed its first external quality control review in September 1996 and will continue to arrange for an external quality control review every three years by an independent review team using the ALGA guide. The

APPENDIX G

external quality control review report prepared by the peer review team is presented to the Audit, Finance and Legislative Committee and the Gainesville City Commission. In addition the report is posted on the City Auditor's Website to enhance public accessibility (www.audigators.org).

18. An external audit organization¹ 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 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 Document Reference and QCS Description:

- *Page 10, Section II, Paragraph E: External Quality Control Review*

The Office completed its first external quality control review in September 1996 and will continue to arrange for an external quality control review every three years by an independent review team using the ALGA guide. The external quality control review report prepared by the peer review team is presented to the Audit, Finance and Legislative Committee and the Gainesville City Commission. In addition the report is posted on the City Auditor's Website to enhance public accessibility (www.audigators.org).

¹ An external audit organization is defined in paragraphs 3.13 through 3.15 of GAS.

APPENDIX G

STANDARDS FOR

FINANCIAL AUDITS

AND

ATTESTATION ENGAGEMENTS

Note: The 2011 Government Auditing Standards are effective for financial audits and attestation engagements for periods ending on or after December 15, 2012. Therefore, until implementation this portion of the Description of Quality Control System references the 2007 Government Auditing Standards.

APPENDIX G

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS

For financial audits (2007 4.01, 4.02), GAGAS incorporates the AICPA fieldwork standards and related AICPA Statements on Auditing Standards (SAS).

For attestation engagements (2007 6.01, 6.02), GAGAS incorporates the AICPA general standard on criteria and its fieldwork standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE).

These AICPA standards are identified in GAGAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.

19. GAGAS incorporates the following AICPA standards for financial audits and attestation engagements:

- a. The work is to be adequately planned and assistants, if any, are to be properly supervised. (2007 4.03, 6.04)
- b. A sufficient understanding of internal control is to be obtained to plan financial audits and to determine the nature, timing, and extent of tests to be performed. (2007 4.03) While not necessarily required under AICPA standards, GAGAS establishes a similar standard regarding internal controls that are material to the subject matter or assertion in examination-level attestation engagements. (2007 6.10, 6.11)
- c. Sufficient evidence is to be obtained to afford a reasonable basis for the auditor's opinion/conclusion. (2007 4.03, 6.04)
- d. For attestation engagements only, auditors shall perform the engagement only if the subject matter is capable of evaluation against criteria that are suitable and available to users. (2007 6.03)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

APPENDIX G

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AUDITOR COMMUNICATION

20. Auditors should communicate, in writing, the following information to entity management, those charged with governance, and to individuals contracting for or requesting the engagement:

- The auditor's understanding of the services to be performed
- The nature, timing and extent of planned testing
- The level of assurance to be provided
- Any potential restrictions on the auditor's report

If an audit/engagement is terminated before it is completed, auditors should document the results of their work up to termination and the reason for termination. Auditors should use professional judgment to determine whether and how to communicate the reason for termination. (2007 4.05-4.08, 5.38, 6.06-6.08)

For financial audits only: In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. (2007 4.06)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: PREVIOUS AUDITS AND ATTESTATION ENGAGEMENTS.

21. Auditors should evaluate whether appropriate corrective action has been taken and recommendations implemented to address findings and recommendations from previous audits, attestation engagements, and other studies directly related to the objectives of the audit. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current work. (2007 4.09, 6.09)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: FRAUD, ILLEGAL ACTS, VIOLATIONS AND ABUSE

APPENDIX G

22. Auditors have the following responsibilities relating to fraud, illegal acts, and violations of provisions of contracts or grant agreements in financial audits and attestation engagements:

- a. For financial audits only: Auditors should design audits to provide reasonable assurance of detecting material misstatements of financial statement amounts or other financial data significant to the audit objectives resulting from violations of provisions of contracts or grant agreements, errors, fraud, or illegal acts. If information comes to the auditors' attention concerning the existence of possible acts that could have a material indirect effect on the financial statements, the auditors should apply procedures specifically directed to ascertain whether such acts have occurred and the effect on the financial statements as well as implications for other aspects of the audit. (2007 4.10, 4.11, 4.26-4.28)
- b. For examination-level attestation engagements, auditors are responsible for designing the engagement to provide reasonable assurance of detecting fraud, illegal acts, and violations of contract or grant agreement provisions that could have a material effect on the subject matter of the engagement. (2007 6.13a, 6.13c)
- c. For review-level and agreed-upon-procedure-level attestation engagements, auditors should be alert for indications of fraud, illegal acts, or violations of contract or grant provisions. If such indications exist that could materially affect the subject matter of the engagement, auditors should apply procedures to ascertain whether fraud, illegal acts or violations of contract or grant provisions has occurred and the effect on the engagement. Because the scope of these types of engagements is limited, auditors are not expected to provide reasonable assurance of detecting fraud, illegal acts or violations of contract or grant agreement provisions. (2007 6.13b)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: FRAUD, ILLEGAL ACTS, VIOLATIONS AND ABUSE
(continued)

23. Auditors should be alert for indications of abuse. If indications of abuse exist that could significantly affect the audit/engagement, auditors should apply procedures to ascertain whether abuse has occurred and the effect on the audit/engagement. Because the determination of abuse is subjective,

APPENDIX G

auditors are not expected to provide reasonable assurance of detecting abuse. (2007 4.12, 4.13, 6.14)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

24. Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both. (2007 4.29, 5.17, 6.29)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: ELEMENTS OF A FINDING

25. Audit findings may involve deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse. Auditors should plan and perform procedures to develop the elements of findings that are relevant and necessary to achieve the audit objectives. The elements of an audit finding are: criteria, condition, cause, and effect or potential effect. (GAS 4.14 – 4.18, 6.15-6.19)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: DOCUMENTATION

26. For financial audits: Audit documentation must contain sufficient detail to provide a clear understanding of the work performed, evidence obtained and its source, and the conclusions reached to enable an experienced auditor who has had no previous connection with the audit to understand:
- a. The nature, timing, and extent of auditing procedures performed;
 - b. Results of procedures performed and evidence obtained;
 - c. Conclusions reached on significant matters;

APPENDIX G

- d. That the accounting records agree/reconcile with the audited financial statements or other audited information;
- e. Evidence of supervisory reviews, before the auditor's report is issued, of work performed that supports findings, conclusions and recommendations included in the report.

When auditors do not comply with applicable GAGAS requirements, they should document the impact on the audit and auditors' conclusions.

(2007 GAS 4.19-4.22)

For attestation engagements: Auditors should prepare attest documentation in sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of procedures performed, the evidence obtained, the sources of evidence, and the conclusions reached. In addition to other documentation requirements explicitly addressed in GAGAS and AICPA standards, auditors should document the following:

- a. the objectives, scope and methodology of the audit/engagement;
- b. the work performed to support significant judgments and conclusions, including descriptions of transactions and records examined;
- c. evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report;
- d. the auditor's consideration that planned procedures are designed to achieve objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective, and the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.

(2007 6.20-6.23)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

27. Audit organizations should establish policies and procedures for:

- a. Record retention whether documentation is in paper, electronic, or other media

APPENDIX G

- b. Handling requests by outside parties to obtain access to audit documentation

(2007 4.22-4.24, 6.24-6.26)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS

For financial audits (2007 5.01, 5.02), GAGAS incorporates the AICPA reporting standards and related AICPA Statements on Auditing Standards (SAS). For attestation engagements (2007 6.01, 6.02), GAGAS incorporates the AICPA reporting standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE). Some of these AICPA standards are presented in GAGAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.

28. For Financial Audits: The four AICPA reporting standards for financial audits are as follows (2007 5.03):
- a. The report must state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).
 - b. The report must identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
 - c. The report must state when informative disclosures are not reasonably adequate.
 - d. The report must either contain an expression of opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated in the report. In all cases where an auditor's name is associated with financial statements, the report should clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report.

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

APPENDIX G

For Attestation Engagements, at all levels, the four AICPA reporting standards are as follows (2007 6.30, 6.31):

- a. The report must identify the subject matter or the assertion being reported on and state the character of the engagement.
- b. The report must state the auditor's conclusions about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.
- c. The report must state all of the auditor's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto.
- d. The report must state that the use of the report is restricted to specified parties under the following circumstances:
 - when the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria,
 - when the criteria used to evaluate the subject matter are available only to specified parties,
 - when reporting on subject matter and a written assertion has not been provided by the responsible party, and
 - when the report is on an attest engagement to apply agreed-upon procedures to the subject matter.

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING AUDITOR'S COMPLIANCE WITH GAGAS

29. Reports should state that the audit or attestation engagement was performed in accordance with GAGAS. Auditors may also cite AICPA standards in addition to citing GAGAS. Auditors should disclose which applicable standards are not followed, why, and how it affected or could have affected the results of the audit/engagement. (2007 1.12, 1.13, 5.05, 5.06, 6.32)

P&P Document Reference and QCS Description:

APPENDIX G

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING ON INTERNAL CONTROL AND COMPLIANCE

30. For financial audits only: When providing an opinion or a disclaimer on financial statements, auditors must also report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. To form a basis for expressing an opinion, the auditor must plan and perform the examination to obtain reasonable assurance about whether the entity maintained, in all material respects, effective internal control as of a point in time or for a specified period. (2007 5.07-5.09)

- a. Auditors should include a description of the scope of the auditors' testing of internal controls. Auditors should state in the reports whether tests they performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance.
- b. If separate report(s) are issued the auditor should:
 - o Include a reference to the separate reports in the report on financial statements;
 - o State in the financial statement audit report that they are issuing those additional reports;
 - o State that the reports on internal control over financial reporting and compliance are an integral part of a GAGAS audit and important for assessing the results of the audit.
- c. If auditors issued or intend to issue a management letter, they should refer to the management letter in the reports.

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING DEFICIENCIES IN INTERNAL CONTROL, FRAUD, ILLEGAL ACTS, VIOLATIONS, AND ABUSE

31. For Financial Audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, and for Attestation Engagements,

APPENDIX G

auditors should report, as applicable to the objectives of the audit/engagement, and based upon the audit work performed:

- Significant deficiencies in internal control, identifying those considered to be material weaknesses
- All instances of fraud and illegal acts unless inconsequential
- Violations of provisions of contract or grant agreements and abuse that could have a material effect on the financial statements. (2007 5.10, 5.11, 6.33, 6.34)

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

32. In two circumstances, auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity. (2007 5.18, 6.39)

- a. When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report to those charged with governance. If reporting still does not occur, then auditors should report the information directly to the specified external parties.
- b. When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations or abuse that are likely to have a material affect on the financial statements and involves funding from a government agency, auditors should first communicate managements' failure to take timely and appropriate steps to those charged with governance. If timely and appropriate steps are not taken, then auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency.

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

33. Presentation of findings should develop the elements of the findings to the extent necessary to achieve the audit objectives. (2007 5.21, 6.42) Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of work performed. The findings should be related to the population or number of cases examined or other measures as appropriate. If results cannot be projected, the auditors' conclusions should be appropriately limited. (2007 5.22, 6.43)

P&P Document Reference and QCS Description:

APPENDIX G

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING ON RESTATEMENT of PREVIOUSLY ISSUED FINANCIAL STATEMENTS

34. Following AICPA standard AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*, if auditors become aware of new information that might have affected their opinion on previously issued financial statement(s), then the auditors should advise management to determine the potential effect(s) of the new information as soon as reasonably possible (2007 5.26). If there are any material misstatements, the auditors should advise management to make appropriate disclosure to those who are likely to rely on the financial statements.

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

35. Under GAGAS, auditors should advise management to make appropriate disclosures when: (1) it is likely that previously issued financial statements are misstated, and (2) the misstatement is or could be material. The auditor should perform the following procedures: (2007 5.27)
- Evaluate the timeliness and appropriateness of management's disclosure and actions to determine and correct the misstatement. (2007 5.28)
 - Report on the restated financial statements (2007 5.29).
 - Report directly to appropriate officials when the audit entity does not take the necessary steps. (2007 5.31)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING VIEWS OF RESPONSIBLE OFFICIALS

36. If the auditors' report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. (2007 5.32-5.38, 6.44-6.50)

APPENDIX G

- a. Auditors should include in their report a copy of the officials' written comments or a summary. Auditors should include a summary of any oral comments received once they are reviewed for accuracy by the responsible officials. (2007 5.34, 6.46)
- b. Auditors should include in the report an evaluation of the comments, as appropriate. (2007 5.35, 6.47)
- c. Auditors should state their reasons for disagreeing with comments or planned corrective actions of the audited entity. (2007 5.37)
- d. If the officials refuse to provide comments or are unable to provide comments in a reasonable timeframe, the auditors should indicate in the report that the audited entity did not provide comments. (2007 5.38)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING PRIVILEGED AND CONFIDENTIAL INFORMATION

37. If certain pertinent information is prohibited from public disclosure or excluded from the report due to confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstance that makes the omission necessary. Auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices. Audit organizations subject to public records laws should determine whether these laws could impact the availability of classified or limited use reports and affect how they might communicate results. (2007 5.39-5.43, 6.51-6.55)

P&P Document Reference and QCS Description:

NOT APPLICABLE: In general, financial audits and attestation engagements are not performed

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORT ISSUANCE AND DISTRIBUTION

38. Auditors should document any limitation on report distribution. Government auditors should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies. As appropriate, auditors should also distribute copies of the report to

APPENDIX G

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. (2007 5.44, 6.56)

- a. Internal audit organizations should communicate results to the parties who can ensure that the results are given due consideration. Prior to release to parties outside of the organization, the auditors should assess the potential risk to the organization, consult with senior management and/or legal counsel, and control dissemination.
- b. Public accounting firms contracted to perform an audit under GAS should clarify report distribution responsibilities with the organization. If the audit firm is to distribute reports, it should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and steps to make the report available to the public.

P&P Document Reference and QCS Description:

<i>NOT APPLICABLE: In general, financial audits and attestation engagements are not performed</i>
--

APPENDIX G

DESCRIPTION OF QUALITY CONTROL SYSTEM

STANDARDS FOR

PERFORMANCE AUDITS

APPENDIX G

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING

39. 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 Document Reference and QCS Description:

- Pages 14-16: Section III, Paragraph C: Initiating the Audit
- Pages 16-20: Section III, Paragraph D: Audit Survey
- Form 6: Finding Development Sheet
- Appendix H: Audit Plan
- Appendix I: Audit Program
- Appendix K: Survey Checklist

Planning is done throughout the audit survey. The assignment of staff, planning meetings, and other steps included in the audit initiation and survey steps encompass all of the above considerations. The Finding Development Sheet, Survey Checklist, Audit Plan and Program are also tools that help ensure that audits performed consider the issues identified related to this Standard. Specifically, the Survey Checklist guides auditors through the process of familiarization with the audited entity, preliminary assessment of controls and identification of major risk exposures.

40. Auditors should assess audit risk and significance within the context of the audit objectives by gaining an understanding of the:
- a. Nature and profile of the program and user needs (6.11a, 6.13)
 - b. Design and implementation of internal controls (6.11b, 6.16)
 - c. Design and implementation of information system controls (6.11c, 6.24, 6.27)
 - d. Legal and regulatory requirements, contract provisions, grant agreements, potential fraud and abuse (6.11d, 6.28, 6.30-6.32, 6.34)
 - e. Impact of ongoing investigation and legal proceedings (6.11e, 6.35)
 - f. Results of previous engagements (6.11f, 6.36)

P&P Document Reference and QCS Description:

- Pages 14-16: Section III, Paragraph C: Initiating the Audit
- Pages 16-20: Section III, Paragraph D: Audit Survey
- Form 6: Finding Development Sheet
- Appendix C: Resolution 970187
- Appendix H: Audit Plan

APPENDIX G

- *Appendix I: Audit Program*
- *Appendix J, Audit Workpaper File*
- *Appendix K: Survey Checklist*

The Finding Development Sheet, Survey Checklist, Audit Plan and Program are tools that help ensure that audits performed consider the issues identified related to this Standard. Specifically, the Survey Checklist guides auditors through the process of familiarization with the audited entity, preliminary assessment of controls and identification of major risk exposures. Auditors also determine whether a detailed assessment of internal controls is needed in any area. In addition, because audits conducted by the City Auditor's Office are primarily operational and/or compliance, the auditor typically examines other aspects of internal controls (e.g. statements of goals and objectives, organizational structure and management information during the audit survey and fieldwork).

Auditors routinely review compliance with major enabling laws and determine whether a detailed assessment of compliance is required in any area. In addition, auditors are trained to be continually cognizant of situations that may indicate the existence of abuse or illegal acts. In the event auditors identify illegal acts, the City Auditor takes action pursuant to Resolution 970187, Section 7, Report of Irregularities; (Appendix C).

- *Appendix K, The Survey Checklist: Section I. General Familiarization and Section IV. Follow-Up*

As part of the Audit Survey, auditors are required to evaluate whether previous audits have been completed, either internally or externally, related to the objectives of the audit being undertaken. This review and any resulting information is to be documented in section B-1 of the audit workpaper file (see Appendix J).

The Survey Checklist included in Appendix K also serves to identify previous work related to the objective of the audit being undertaken and to identify corrective action taken to address significant findings and recommendations. Auditors are trained to use professional judgment in determining (1) prior periods to be considered, (2) the level of follow-up work necessary, and (3) the effect on the current risk assessment and procedures.

41. To the extent relevant to the audit objectives, auditors should identify potential criteria and sources of evidence, including the work of other auditors or experts, necessary to plan the audit work. (6.12a-c, 6.37, 6.38, 6.40-6.42).

P&P Document Reference and QCS Description:

- *Pages 14-16: Section III, Paragraph C: Initiating the Audit*

APPENDIX G

- *Pages 16-20: Section III, Paragraph D: Audit Survey*
- *Form 6: Finding Development Sheet*
- *Appendix H: Audit Plan*
- *Appendix I: Audit Program*
- *Appendix K: Survey Checklist*

Planning is done throughout the audit survey. The assignment of staff, planning meetings, and other steps included in the audit initiation and survey steps encompass all of the above considerations. The Finding Development Sheet, Survey Checklist, Audit Plan and Program are also tools that help ensure that audits performed consider the issues identified related to this Standard.

In general, we do not rely on the work of other auditors or nonauditors. However, Page 10; Section II: Paragraph F: Supervision: Role of the City Auditor and Assistant City Auditor provides guidance should this need arise. As in #40 above, The Survey Checklist included in Appendix K serves to identify previous work related to the objective of the audit being undertaken and to identify corrective action taken to address significant findings and recommendations. Auditors are trained to use professional judgment in determining (1) prior periods to be considered, (2) the level of follow-up work necessary, and (3) the effect on the current risk assessment and procedures. These procedures are designed to provide general familiarization for the auditor in completing the audit survey, planning audit fieldwork and identifying potential sources of audit evidence.

42. 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&P Document Reference and QCS Description:

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*
- *Form 6: Finding Development Sheet*
- *Form 7: Independent Review Form*
- *Appendix J: Audit Workpaper File Description*

The City Auditor's Office Policies and Procedures Manual sets forth specific guidance regarding the relevance, sufficiency and competency of evidence and the requirements to properly document such information in the working papers. In addition, for each finding in a given audit, a Finding Development Sheet (Form 6) is completed. In terms of supervisory review, for each audit an Independent Review Form (Form 7) is completed as evidence of supervisory review. The Audit Workpaper File Description (Appendix J) prescribes the manner in which each audit workpaper file is to be organized.

APPENDIX G

43. 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 inferring with legal proceedings or investigations. (6.32, 6.34-6.35)

P&P Document Reference and QCS Description:

- *Pages 16-20: Section III, Paragraph D: Audit Survey*
- *Appendix C: Resolution 970187*

Auditors routinely review compliance with major enabling laws and determine whether a detailed assessment of compliance is required in any area. In addition, auditors are trained to be continually cognizant of situations that may indicate the existence of abuse or illegal acts. In the event auditors identify illegal acts, the City Auditor takes action pursuant to Resolution 970187, Section 7, Report of Irregularities; (Appendix C).

- *Appendix C: Resolution 970187, Section 7, Report of Irregularities provides the City Auditor with the necessary guidance ensuring that auditors exercise professional judgment in pursuing indications of possible illegal acts. Section 7 provides that the portion of the audit involving the criminal investigation be suspended until the criminal investigation is concluded. The Chief of Police and the City Attorney may also decide to notify the State Attorney in accordance with their requirements in conducting the investigation.*
- *Pages 31-33: Section III, Paragraph I: Allegations of Fraud, Waste or Mismanagement: This section provides guidance on how best to pursue allegations or matters brought to the auditor's attention by citizens, City employees or others regarding waste, mismanagement or fraud in City programs. These guidelines also apply during the course of a scheduled audit.*

44. Auditors who intend to use the work of a specialist should assess the specialist's professional qualifications and independence, which involves the following:

- 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

APPENDIX G

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 Document Reference and QCS Description:

- *Pages 14-16, Section III, Paragraph C, Initiating the Audit: The City Auditor is responsible for assigning staff to audit projects. Skills and knowledge, the number of staff, the need for outside consultants and training required to conduct the audit are all considerations in the assignment of staff. (see also P&P page 11 for guidance on the use of specialists.)*

45. Audit management should assign a sufficient number of staff with 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 engage. (6.12d, 6.45-6.46)

P&P Document Reference and QCS Description:

- *Page 12, Section II, Paragraph G, Training: The City Auditor's Office is committed to ensuring that staff maintain professional proficiency and achieve growth through continuing education and training. The Office establishes and funds a training program each year to meet this objective. All auditors within the Office are charged with scheduling and obtaining approval for training courses which will provide them sufficient hours to meet the hourly requirements prescribed by Government Auditing Standards as well as those required for retaining certification. Annual training also provides training required to meet the needs and interests of the individual. A record of the training and education received by audit staff is maintained in the administrative files of the Office.*
- *Pages 14-16, Section III, Paragraph C, Initiating the Audit: The City Auditor is responsible for assigning staff to audit projects. Skills and knowledge, the number of staff, the need for outside consultants and training required to conduct the audit are all considerations in the assignment of staff. (see also P&P page 11 for guidance on the use of specialists.)*

46. Auditors should communicate an overview of the planned objectives, scope and methodology, and 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.

APPENDIX G

Auditors should document the communication and any process used to identify those who should receive communications.

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 Document Reference and QCS Description:

- *Pages 11, Section II, Paragraph F, Supervision – Role of the City Auditor and Assistant City Auditor; #4 and #8 charges the City Auditor and/or Assistant City Auditor to attend entrance, exit and other major conferences with auditees and to maintain contact with the appropriate Charter Officer and department managers.*
- *Page 11, Section II, Paragraph F, Supervision – Role of the Auditors; #1 and #7 charges the auditors involved with audits to prepare an Audit Start Letter (Form 2), which is signed by the City Auditor and transmitted to the appropriate Charter Officer, and to maintain contact with auditees, including appropriate representatives of management. Auditees are to be informed of audit progress throughout the survey and fieldwork.*
- *Page 16, Section III, Paragraph D; Audit Survey, Sub-paragraph 1, Entrance Conference sets forth the format and content of the required entrance conference.*
- *Page 25, Section II, Paragraph F: Audit Reporting – provides guidance on City Auditor's Office responsibility when terminating an audit.*

47. Auditors must prepare a written audit plan for each audit. Auditors should update the plan as necessary. (6.12f, 6.51)

P&P Document Reference and QCS Description:

- *Page 18, Section III, Paragraph D; Audit Survey, Sub-paragraph 3: Preparation of the Audit Plan and Program: Based on audit survey results, the auditors develop audit objectives, scope and methodology and prepare the audit plan and the audit program. In the event revisions to the audit plan and/or program are required, auditors obtain approval from the City Auditor, reflect the changes in the audit plan/program and prepare a memorandum for the file explaining the scope and/or milestone changes.*
- *Appendix H: Sample Audit Plan*
- *Appendix I: Sample Audit Program*

APPENDIX G

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: SUPERVISION

48. Audit supervisors must properly supervise audit staff. Elements of supervision include:

- 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.

The nature and extent of 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 Document Reference and QCS Description:

- *Page 10-11, Section II, Paragraph F, Supervision*
- *Form 1: ALGA Review of Audit Engagement Form*
- *Form 3: Audit Assignment and Planning Sheet*
- *Form 4: Supervisory Log*
- *Form 7: Independent Review Sheet*

The City Auditor's Office places significant emphasis on supervision and coordination of audit work performed. The City Auditor and Assistant City Auditor play active roles in guiding, coordinating and overseeing audit work to ensure that audit work is conducted properly and that audit objectives are accomplished. Supervision of staff is documented by (1) review, initial and dating of workpapers, (2) completing and initialing an Independent Review Sheet, (Form 7), (3) maintaining a Supervisory Log (Form 4), and (4) maintaining an Audit Assignment and Planning Sheet (Form 3). An additional control in place to ensure conformance with auditing standards and the accuracy of audit reports is the completion of the ALGA Review of Audit Engagement Form for each audit completed (Form 1).

The City Auditor's Office is also committed to ensuring that staff maintain professional proficiency and achieve growth through on-the-job training. Auditors are assigned to projects based on their previously demonstrated proficiencies and are continually challenged with audits of greater complexity as proficiency is developed.

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: EVIDENCE

49. 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

APPENDIX G

evidence including its relevance to the audit objectives, reliability and validity. (6.56-6.57)

P&P Document Reference and QCS Description:

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*
- *Form 6: Finding Development Sheet*
- *Form 7: Independent Review Form*
- *Appendix J: Audit Workpaper File Description*

The City Auditor's Office Policies and Procedures Manual sets forth specific guidance regarding the appropriateness and sufficiency of evidence and the requirements to properly document such information in the working papers. In addition, for each finding in a given audit, a Finding Development Sheet (Form 6) is completed. In terms of supervisory review, for each audit an Independent Review Form (Form 7) is completed as evidence of supervisory review. The Audit Workpaper File Description (Appendix J) prescribes the manner in which each audit workpaper file is to be organized

50. 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 Document Reference and QCS Description:

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*

51. Evaluate testimonial evidence and information provided by officials when used as evidence. (6.62, 6.65)

P&P Document Reference and QCS Description:

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*

52. Assess sufficiency and appropriateness of computer-processed information. (6.66)

P&P Document Reference and QCS Description:

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*

53. 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)

P&P Document Reference and QCS Description:

APPENDIX G

- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*
54. Plan and perform procedures to develop the elements of a finding to address audit objectives and develop recommendations for corrective action. (6.73)

P&P Document Reference and QCS Description:

- *Pages 24, Section III, Paragraph E, Audit Fieldwork, Sub-paragraph 3, Development of Findings*

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: DOCUMENTATION

55. 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:

- objectives, scope, methodology of 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 support the findings, conclusions and recommendations (6.79-6.83)

P&P Document Reference and QCS Description:

- *Pages 16-20, Section III, Paragraph D, Audit Survey*
- *Pages 20-25, Section III, Paragraph E, Audit Fieldwork*
- *Pages 25-29, Section III, Paragraph F, Audit Reporting*
- *Pages 30-31, Section III, Paragraph G, Independent Review*
- *Form 6: Finding Development Sheet*
- *Form 7: Independent Review Form*
- *Appendix J: Audit Workpaper File Description*

The City Auditor's Office Policies and Procedures Manual establishes specific requirements concerning the preparation and retention of audit documentation, from planning to reporting on the audit results. These requirements are consistent with the guidelines contained in Government Auditing Standards as described above. All audit documentation is subjected to one or more levels of independent review (documented on Form 7: Independent Review Form) to ensure that audit documentation adequately supports significant judgments, findings, conclusions and recommendations.

APPENDIX G

In addition, for each finding in a given audit, a Finding Development Sheet (Form 6) is completed which bridges the workpapers to the final report. The Audit Workpaper File Description (Appendix J) prescribes the manner in which each audit workpaper file is to be organized.

Page 17, Section III, Paragraph D, Audit Survey, Sub-paragraph 2, Survey Checklist (Management Controls): The City Auditor's Office Policies and Procedures require that the reliability of computerized data be assessed if the information is an integral part of the audit and crucial to accomplishing the audit objectives. If the data is not crucial or is used for background informational purposes, the source of the data is cited in the workpapers and/or the written report (as appropriate). When the reliability of a computer based system is the primary objective of the audit, auditors refer to the applicable GAO publication and standard for guidance.

56. Auditors should document departures from GAGAS requirements and the impact on the audit and auditors' conclusions (6.84)

P&P Document Reference and QCS Description:

Page 19, Section III, Paragraph D, Audit Survey: Sub-paragraph 3, Preparation of the Audit Plan & Program (Audit Program): This section of the policies and procedures reminds auditors to continually focus on ensuring that audit work is performed in accordance with GAGAS and discussing any departures with the City Auditor.

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): This section of the policies and procedures dictates that the audit report contain a section with a statement made regarding whether or not the audit was conducted in accordance with Government Audit Standards. If any standards were not followed, that information would be disclosed in the Objectives, Scope and Methodology section of the audit report.

57. 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 Document Reference and QCS Description:

Page 34, Section IV, Paragraph D, Public Access to Office Records: The City Auditor will provide access to appropriate individuals and audit documentation available upon request

APPENDIX G

REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORTING

58. 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:

- 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. (7.03-7.05)

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 Document Reference and QCS Description:

Pages 25-29, Section III, Paragraph F, Audit Reporting: Office Policies and Procedures provide detailed guidance on the characteristics of a well written audit report, stages in the reporting process and suggested report formats. Audit Reports are issued as required by Government Auditing Standards. Draft reports are discussed with management and written responses are included in final audit reports. In the rare event that an audit is terminated prior to completion, documentation is prepared explaining the reason audit work was terminated.

59. 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 Document Reference and QCS Description:

Pages 26-27, Section III, Paragraph F, Audit Reporting, Sub-paragraph 2, Stages in the Reporting Process: The City Auditor should be notified by any auditors of such deficiencies. The City Auditor will communicate the information to appropriate officials, etc.

REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORT CONTENTS

60. Auditors should prepare audit reports that contain:

APPENDIX G

- Objectives, scope (including limitations and constraints), and methodology of the audit;
- The 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. (7.08-7.13)

P&P Document Reference and QCS Description:

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): provides guidance to ensure that Government Auditing Standards requirements regarding report contents are met. A discussion of the audit objectives, scope and methodology is included in the Objectives, Scope and Methodology portion of the Audit Report.

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Audit Results): provides guidance related to audit results, including findings, conclusions and recommendations, as appropriate. A detailed discussion of all findings is provided in the Audit Results Section of the audit report. Also, Form 6 - Finding Development Sheet re-emphasizes the importance of including all elements of an audit finding as set forth in Government Auditing Standards.

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): This section of the policies and procedures dictates that the audit report contain a section with a statement made regarding whether or not the audit was conducted in accordance with Government Audit Standards. If any standards were not followed, that information would be disclosed in the Objectives, Scope and Methodology section of the audit report.

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Management's Written Response) and Appendix C: Resolution 970187, Section 9, Report Processing Procedures: Management has 30 days to provide a written response to the findings and recommendations contained within the audit report and transmit the response to the City Auditor. Written responses are typically received from Charter Officers and the manager of the audited department, and are attached and published with the audit report.

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): This section of the policies and procedures states: "Pursuant to Government Auditing Standards, this

APPENDIX G

section (of the audit report) includes a discussion of the nature of any confidential or sensitive information omitted and any scope impairments or other information limitations, when appropriate.”

61. In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives.

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 Document Reference and QCS Description:

- *Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Audit Results): A detailed discussion of all findings is provided in the Audit Results Section of the audit report.*
- *Page 27, Section III, Paragraph F, Audit Reporting, Sub-paragraph 3, Report Format (A. Audit Report Format)*

Audit Reports issued by the City Auditor's Office include a Transmittal Letter addressed to the Audit, Finance and Legislative Committee describing the nature and scope of the audit. Additionally, the Audit Report contains a section on the objectives, scope and methodology of the audit. The Audit Results section of the report contains a discussion of the detailed audit results including the auditor's findings, conclusions and recommendations. The report discusses significant weaknesses in terms of condition, criteria, effect, cause and recommendations. In general, the Audit Results section discusses: (1) any deficiencies in internal control that are significant within the context of the audit objectives; (2) instances of fraud, abuse, illegal acts or significant violations of contracts/grant agreements; (3) limitations or uncertainties with the reliability or validity of evidence significant to the findings and conclusions; (4) the status of known un-corrected findings from prior audits related to the audit objectives; (5) pertinent, noteworthy accomplishments of the auditee; and (6) significant issues needing further study or consideration, when necessary.

62. Auditors should include in the audit report:

- 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.

APPENDIX G

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 Document Reference and QCS Description:

- *Page 17, Section III, Paragraph D, Audit Survey: Sub-paragraph 2, Survey Checklist (Management Controls)*
- *Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Audit Results): A detailed discussion of all findings is provided in the Audit Results Section of the audit report.*
- *Page 27, Section III, Paragraph F, Audit Reporting, Sub-paragraph 3, Report Format (A. Audit Report Format)*

Audit Reports issued by the City Auditor's Office include a Transmittal Letter addressed to the Audit, Finance and Legislative Committee describing the nature and scope of the audit. Additionally, the Audit Report contains a section on the objectives, scope and methodology of the audit. The Audit Results section of the report contains a discussion of the detailed audit results including the auditor's findings, conclusions and recommendations. The report discusses significant weaknesses in terms of condition, criteria, effect, cause and recommendations. In general, the Audit Results section discusses: (1) any deficiencies in internal control that are significant within the context of the audit objectives; (2) instances of fraud, abuse, illegal acts or significant violations of contracts/grant agreements; (3) limitations or uncertainties with the reliability or validity of evidence significant to the findings and conclusions; (4) the status of known un-corrected findings from prior audits related to the audit objectives; (5) pertinent, noteworthy accomplishments of the auditee; and (6) significant issues needing further study or consideration, when necessary.

63. 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 Document Reference and QCS Description:

- *Page 17, Section III, Paragraph D, Audit Survey: Sub-paragraph 2, Survey Checklist (Management Controls)*

APPENDIX G

- *Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Audit Results)*
- *Appendix C: Resolution 970187, Section 7*

The City Auditor's Office Policies and Procedures and Resolution 970187, Section 7, provide guidance on the required actions in the event audit work uncovers significant instances of noncompliance or significant instances of abuse. Auditors are specifically directed to report any concerns to the City Auditor. If audit work reveals apparent violations of law or apparent instances of misconduct, the City Auditor determines whether the irregularity results in a potential criminal offense or a deviation from administrative policy. If a criminal offense is deemed to have occurred, the City Auditor will immediately suspend the administrative audit, notify the City Attorney and the Chief of Police via the City Manager requesting a criminal investigation. If a deviation from administrative policy has occurred, the City Auditor will include the deviation in the audit report and follow the report processing procedures set forth in Resolution 970187, Section 9.

64. 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 Document Reference and QCS Description:

- *Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Audit Results)*
- *Appendix C: Resolution 970187, Section 7*

The City Auditor's Office Policies and Procedures and Resolution 970187, Section 7, provide guidance on the required actions in the event audit work uncovers significant instances of noncompliance or significant instances of abuse. Auditors are specifically directed to report any concerns to the City Auditor. If audit work reveals apparent violations of law or apparent instances of misconduct, the City Auditor determines whether the irregularity results in a potential criminal offense or a deviation from administrative policy. If a criminal offense is deemed to have occurred, the City Auditor will immediately suspend the administrative audit, notify the City Attorney and the Chief of Police via the City Manager requesting a criminal investigation. If a deviation from administrative policy has occurred, the City Auditor will include

APPENDIX G

the deviation in the audit report and follow the report processing procedures set forth in Resolution 970187, Section 9.

65. 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 Document Reference and QCS Description:

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Formation (Audit Results): provides guidance related to audit results, including findings, conclusions and recommendations, as appropriate. A detailed discussion of all findings is provided in the Audit Results Section of the audit report. Also, Form 6 - Finding Development Sheet re-emphasizes the importance of including all elements of an audit finding as set forth in Government Auditing Standards.

66. 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 Document Reference and QCS Description:

Pages 25-29, Section III, Paragraph F, Audit Reporting: Office Policies and Procedures provide detailed guidance on the characteristics of a well written audit report, stages in the reporting process and suggested report formats. Audit Reports are issued as required by Government Auditing Standards.

The City Auditor's Office places a significant emphasis on preparing well written audit reports. Our Policies and Procedures Manual and report writing process reflect the emphasis placed on reports that are complete yet concise, accurate and sound, objective and balanced, persuasive, clear and simple. The Audit Results section of the report contains audit findings, conclusions, recommendations and written management responses to the recommendations. Audit reports should assist management and oversight officials in understanding the need for taking corrective actions.

67. 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]

APPENDIX G

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.

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 Document Reference and QCS Description:

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): This section of the policies and procedures dictates that the audit report contain a section with a statement made regarding whether or not the audit was conducted in accordance with Government Audit Standards. If any standards were not followed, that information would be disclosed in the Objectives, Scope and Methodology section of the audit report.

68. 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.

Obtaining the comments in writing is preferred, but oral comments are acceptable.

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 Document Reference and QCS Description:

- *Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Management's Written Response)*
- *Appendix C: Resolution 970187, Section 9, Report Processing Procedures:*

APPENDIX G

Management has 30 days to provide a written response to the findings and recommendations contained within the audit report and transmit the response to the City Auditor. Written responses are typically received from Charter Officers and the manager of the audited department, and are attached and published with the audit report.

69. 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.

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.

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 Document Reference and QCS Description:

Page 28, Section III, Paragraph F, Audit Reporting: Sub-paragraph 3, Report Format (Objectives, Scope and Methodology): This section of the policies and procedures states: "Pursuant to Government Auditing Standards, this section (of the audit report) includes a discussion of the nature of any confidential or sensitive information omitted and any scope impairments or other information limitations, when appropriate."

REPORTING STANDARDS FOR PERFORMANCE AUDITS: DISTRIBUTING REPORTS

70. Auditors should document any limitation on report distribution. (7.44)

Audit organizations in government entities should distribute audit reports to:

- 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

APPENDIX G

Internal audit 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:

- 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&P Document Reference and QCS Description:

Page 27, Section III, Paragraph F, Audit Reporting: Sub-paragraph 2, Stages in the Reporting Process (Report Release and Distribution): Pursuant to the administrative procedures established in Resolution 970187, Section 9, Report Processing Procedures, written audit reports are distributed to the appropriate Charter Officers with copies distributed to appropriate management representatives and other interested parties as required. Upon receipt of management's written response, the City Auditor's report and management's written response are submitted and presented to the City Commission's Audit, Finance and Legislative Committee with a recommendation for City Commission approval. The City Auditor's report and management's written response are then forwarded to the City Commission for their approval.

In addition, all audit reports are made available to the public through the Clerk of the City Commission and via the City Auditor's Office Website (www.audigators.org).