OFFICE OF THE CITY AUDITOR
CITY OF GAINESVILLE, FLORIDA

POLICIES AND PROCEDURES MANUAL

For Audits Initiated After December 15, 2011

Foreword

The purpose of this manual is to establish internal policies and procedures for the Office of the City Auditor (the Office). The manual serves as a reference and guide for audit staff and helps ensure that audit work is conducted in a consistent, fair and professional manner. The manual is not intended to be all-inclusive, particularly as it relates to auditing procedures. Each audit has its own objectives and, consequently, its own set of auditing procedures.

In order to be an effective document, the manual must be consistent with actual Office practices. All staff are encouraged to suggest ways to improve and update the policies and procedures. The manual should be maintained in a loose-leaf binder to facilitate revisions. Each staff member is responsible for keeping the manual up to date and for following the policies and procedures described herein.

This manual reflects a significant effort by the City Auditor's Office to establish policies and procedures to help ensure that our audit work is conducted in compliance with the current revised Government Auditing Standards as published by the Comptroller General of the United States (the "yellow book"). As required by Government Auditing Standards, the City Auditor's Office is subject to a review by external audit professionals to assess the Office's compliance with these standards.

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Section I
Introduction

A. Authority

1) City Charter References to City Internal Auditor

The City Charter, Section 3.05, City Internal Auditor (**Appendix A**), references the duties and responsibilities of the City Internal Auditor as follows:

a)   The City Commission may appoint a city internal auditor who shall serve at the will of the commission. The city internal auditor shall:

i   Perform financial and compliance audits.
ii   Assist the commission in all its accountability functions.
Iii   Perform compliance audits on the implementation of the city's human relations and equal opportunity ordinances, policies, and programs pertaining to the activities of the city within all departments of the city in accordance with schedules prescribed by the commission.
iiii   Perform all other duties assigned by the commission.

b)   All financial and compliance audits and other reports of the city internal auditor shall be filed in the office of the clerk of the commission.

2) City Charter References to Audits and Examinations of Administrative Departments

The City Charter, Section 3.07, Audits and Examinations of Administrative Departments (**Appendix A**), requires that the City provide for an annual financial audit of the accounts of the City as follows:

In the absence of state law requiring the city to conduct an annual financial audit, the commission shall adopt an ordinance requiring an annual financial audit of the accounts and records of the city to be completed by an independent certified public accountant within 12 months after the end of each fiscal year.

3) City Code of Ordinances References to Annual Audit of Accounts

In accordance with the Charter provision described above, the City Code of Ordinances, Section 2-433, Annual Audit of Accounts; Report to be Published (**Appendix B**), provides for annual audits of accounts and reports to be published as follows:

The City Commission shall employ a certified public accountant, not connected with the government of the city, to audit the accounts maintained and financial statements prepared by the city during the fiscal year. The report of the audit shall be published in a newspaper printed in the city for information. The audit shall cover the period ending with the thirtieth day of September of each fiscal year. The report of the audit shall be furnished to the city commission as early as practicable after the thirtieth day of September of each fiscal year.

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4) City Commission Resolution regarding Administrative Responsibilities and Duties of the City Auditor's Office

City Commission Resolution 970187, Administrative Responsibilities and Duties of the City Auditor's Office, establishes specific internal responsibilities and administrative procedures for carrying out the duties and responsibilities defined in the City Charter. The full text of Resolution 970187 can be found in **Appendix C,** and staff should be knowledgeable with the requirements set forth.

5) City Commission Policy regarding the Audit, Finance and Legislative Committee

City Commission Policy P-90-1, City Commission Audit, Finance and Legislative Committee (**Appendix D**), sets forth the nature, scope and general operating procedures of the Audit, Finance and Legislative Committee. In general, the Audit, Finance and Legislative Committee is established by the City Commission to monitor internal and external audit affairs and provide policy oversight and guidance to management regarding the financial affairs of the City. Policy P-90-1 provides examples of issues and recommendations that are within the scope of the Audit, Finance and Legislative Committee and establishes that Committee membership shall consist of two City Commissioners, one of which is the Mayor. The Committee reports to the full City Commission.

6) Organization/Organization Chart

Staff of the City Auditor's Office consists of the City Auditor, two Assistant City Auditors, a Senior Auditor and a half-time Executive Assistant. The City Auditor's Office is depicted on the Organization Chart as shown in **Appendix E**.

7) Professional Conduct and Ethics

In addition to City standards of conduct, each staff member of the City Auditor's Office must abide by the Code of Ethics adopted by the Institute of Internal Auditors, Inc. (**Appendix F**).

B. Mission Statement

Our mission is to promote honest, efficient, effective and fully accountable City government. We establish the following goals:

1) To issue audit reports, conducted in accordance with generally accepted government auditing standards, that:
   - determine if an entity's internal control structure is adequately designed and implemented to achieve control objectives
   - determine the efficiency and effectiveness of City programs and services
   - determine if operations are in compliance with applicable laws and ordinances
   - determine if City resources are adequately safeguarded against loss, waste and abuse
   - recommend necessary improvements in each of the above areas.

2) To issue objective studies of issues that improve decision-making by the City Commission, management and the public.

3) To promote efficiency, effectiveness and accountability in our contacts with the City Commission, management, the general population of city employees and the public.

C. Values

Office staff should work with the following set of values in mind:

- *Audit Reports*: Reports should focus on significant, timely and useful information for Commissioners, management and the public. We should strive to make our reports accurate, clear, convincing, objective, fair and constructive.
- *Cooperation:* Each person has an important role and should participate to the fullest extent. We should value the diverse contributions of each staff member and treat each other with consideration, dignity and respect.
- *Organization and Hard work:* We should endeavor to make efficient use of our time.
- *Professionalism and Manner:* We should be honest, considerate and work to maintain a high level of credibility with the City Commission, management and the public.
- *Auditee Relations:* We should make ourselves accessible and communicate openly and frequently. We should communicate in a friendly and non-threatening way and strive to remain fair and objective.
- *Professional Development:* We should strive to improve our knowledge, skills and abilities through training, work experiences and related outside activities.

D. Performance Indicators

Just as we assess the performance of City departments, the City Auditor's Office should be held accountable for its performance. Following are performance indicators by which the Office may track its efforts and accomplishments.

1) Reports Issued

   The number of audit reports issued each year varies depending on the size and complexity of individual projects. Since audit reports represent the Office's primary product, we should strive to meet a targeted number of reports annually.

2) Financial Benefits of Audit Recommendations

   An important measure of the value of audits is the financial benefit derived through the implementation of audit recommendations, including improved efficiency and productivity and cost avoidance.

3) Percent of Audit Recommendations Addressed

   Another measure of the value of our audit work is the percent of audit recommendations which are addressed by City departments.

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4) External Peer Review

Pursuant to *Government Auditing Standards (Section 3.50b)*, the City Auditor's Office undergoes a peer review by external audit professionals every three years. The reports indicate the degree of compliance with *Government Auditing Standards* in performing audit work.

5) Variance from Targeted Issue Date

Government Auditing Standards state that audits should be issued promptly and available for timely use by management and elected officials. While the City Auditor's Office normally has no mandated reporting deadlines, it is important that reports be issued timely and when possible, in conjunction with decision-making timeframes. The difference between planned and actual issued dates is one measure for assessing timeliness. Reasons for revising the planned issue date should be discussed with the City Auditor and documented in the workpapers.

6) Audit Duration

While audit duration varies depending on the size and complexity of the project, another measure of timeliness is the number of weeks or months required to complete an audit.

7) Audit Hours

As with audit duration, the number of auditor hours needed to complete an audit can vary with project size and complexity. Nevertheless, the number of audit hours is an indicator of timeliness and audit efficiency.

8) Audit Cost

Another measure of the efficiency of audit work is the cost of an audit. In computing cost, we allocate all direct and indirect costs of the City Auditor's Office.

9) Percent of Auditor Direct Time

A measure of the productivity of the Office is the percent of auditor direct time, or the actual time auditors worked on audit projects. Indirect time (e.g. training, reading in-basket materials, staff meetings, etc.) is time auditors spend on activities unrelated to a specific audit project.

10) Special Work Requests Completed

The City Auditor's Office may also become involved in special projects, investigations, or preliminary survey work on allegations of fraud, waste or misuse of public funds. These activities may not result in an audit but represent another important function of the Office. The number of such requests completed is also a factor in measuring the performance of the Office.

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Section II
Achieving Audit Quality

Auditing is essential to government accountability to the public. Section 2 (a) of Resolution 970187, City Auditor Internal Responsibilities and Administrative Procedures requires that "the City Auditor perform his duties in conformity with generally accepted professional standards."

A. Government Auditing Standards

Professional standards for conducting audits in government have been issued by the Comptroller General of the United States in *Government Auditing Standards*. These standards provide a framework for conducting high quality government audits with competence, integrity, objectivity and independence. The City Auditor's Office is committed to achieving a high level of audit quality and we strive to follow *Government Auditing Standards* in all of our audit work. Each auditor receives a copy of *Government Auditing Standards* and is responsible for becoming familiar with and adhering to its requirements.

B. Ethical Principles

The ethical principles that guide the work of auditors who conduct audits in accordance with *Government Auditing Standards* are:

- The public interest – Auditors must maintain a high level of integrity, objectivity and independence in discharging their professional responsibilities in order to serve the public's interest and honor the public's trust.

- Integrity – Public confidence in government is maintained and strengthened by auditors' conducting their work with an attitude that is objective, fact-based, nonpartisan and nonideological with regard to audited entities and users of audit reports.

- Objectivity – The credibility of government auditing is based on auditors' objectivity in discharging their professional responsibilities. Objectivity includes being independent, maintaining an attitude of impartiality, having intellectual honesty and being free of conflicts of interest.

- Proper use of governmental information, resources and position – In the government environment, the public's right to the transparency of government information has to be balanced with the proper use of that information. As a result, exercising discretion in the use of information acquired in the course of auditors' duties is an important part in achieving this goal. Improperly disclosing any such information to third parties is not an acceptable practice. Likewise, protecting, conserving and using government resources appropriately is an important element in the public's expectations for auditors. Misusing the position of an auditor for personal gain violates an auditor's fundamental responsibilities.

- Professional behavior – High expectations for the auditing profession include compliance with laws and regulations and avoidance of any conduct that might bring discredit to auditors' work. Professional behavior includes auditors putting forth an honest effort in performance of their duties and professional services.

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C. Independence

Government Auditing Standards state:

> In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent.

Independence comprises both independence of mind and independence in appearance. Auditors and audit organizations maintain independence so that their opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Auditors should avoid situations that could lead reasonable and informed third parties to conclude that the auditors are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

GAGAS Conceptual Framework Approach to Independence

Many different circumstances, or combinations of circumstances, are relevant in evaluating threats to independence. Therefore, GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. The conceptual framework assists auditors in maintaining both independence of mind and independence in appearance. It can be applied to many variations in circumstances that create threats to independence and allows auditors to address threats to independence from activities that are not specifically prohibited by GAGAS.

The City Auditor's Office will apply the conceptual framework at the audit organization, audit, and individual auditor levels to identify any threats to independence; evaluate the significance of any threats identified, both individually and in the aggregate; and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.

Threats

Threats to independence are circumstances that could impair independence: Whether independence is impaired depends on the nature of the threat, whether the threat is of such significance that it would compromise an auditor's professional judgment or create the appearance that the auditor's professional judgment may be compromised, and on the specific safeguards applied to eliminate the threat or reduce it to an acceptable level. Threats do not necessarily impair independence but are conditions to be evaluated using the conceptual framework.

Safeguards

Safeguards are controls designed to eliminate or reduce to an acceptable level threats to independence. Under the conceptual framework, the City Auditor's Office applies safeguards that address the specific facts and circumstances under which threats to independence exist. In some cases, multiple safeguards may be necessary to address a threat. GAGAS provides specific lists of safeguards as examples that may be effective under certain circumstances, which provides a starting point for auditors who have identified threats to independence and are considering what safeguards could eliminate those threats or reduce them to an acceptable level.

Application of the Conceptual Framework

The City Auditor's Office will evaluate threats to independence using the conceptual framework when the facts and circumstances under which the auditors perform their work may create or augment threats to independence. Threats will be evaluated both individually and in the aggregate because threats can have a cumulative effect on an auditor's independence. Threats to independence may be created by a wide range of relationships and circumstances. Auditors should evaluate the following broad categories of threats to independence when threats are being identified and evaluated and determine whether any identified threats are at an acceptable level:

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

A threat to independence is not acceptable if it either (a) could impact the auditor's ability to perform an audit without being affected by influences that compromise professional judgment or (b) could expose the auditor or audit organization to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the audit organization, or a member of the audit team, had been compromised. When an auditor identifies threats to independence and, based on an evaluation of those threats, determines that they are not at an acceptable level, the auditor should determine whether appropriate safeguards are available and can be applied to eliminate the threats or reduce them to an acceptable level.

Government Auditors and Audit Organizational Structure

The ability of audit organizations in government entities to perform work and report the results objectively can be affected by placement within government and the structure of the government entity being audited. Because the City Auditor reports directly to and is accountable to the City Commission and all audit reports are presented to the City Commission through the Audit, Finance and Legislative Committee, the audit function is considered organizationally independent.

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 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.

The City Auditor's Office is committed to never assuming management responsibilities for an audited entity, because the management participation threats would be so significant that no safeguards could reduce them to an acceptable level. Examples of activities that are considered management responsibilities and would therefore impair independence if performed are listed in Section 3.36 of *Government Auditing Standards*. In addition, the Office will not monitor internal controls as a nonaudit service on behalf of management or provide information technology services that would impair independence as described in sections 3.54 through 3.56 of GAGAS.

Any auditor who previously performed nonaudit services for management that is a prospective subject of an audit should evaluate the impact of those nonaudit services on independence before accepting the audit. Likewise, any auditor required to perform a nonaudit service that could impair the auditor's 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 compliance statement accordingly.

Quality Control Systems Related to Independence

Audit organizations are required to include as part of their quality control system procedures to assure compliance with *Government Auditing Standards*. Accordingly, as part of the Office's internal quality control system, the City Auditor and auditors assigned to a project are required to sign an **Auditor Independence Statement (Form 5)** at the initiation of each audit. Any changes during the audit, or after issuance of the audit report, should be immediately discussed with the City Auditor so that the significance of the threat can be documented, evaluated and acted upon in accordance with *Government*

Auditing Standards. In addition to the completion of the Auditor Independence Statement, the Office implements the following controls:

Communicating and promoting understanding of the policies and procedures to auditors within the Office: All auditors within the Office are provided access to current policies and procedures and are expected to consistently comply with requirements provided. The City Auditor also requires staff to plan their annual professional development and discusses these activities with each auditor at least annually. Training focuses on the experience level of each individual auditor, with an emphasis on maintaining a thorough understanding of *Government Auditing Standards*. Audit staff is also encouraged to participate in the ALGA Peer Review Process as a team member or team leader.

Monitoring compliance: All work performed by the City Auditor's Office complies with *Government Auditing Standards* and Office Policies and Procedures. In order to ensure compliance in the audit process, workpapers and written reports are closely supervised by the City Auditor. In addition to supervisory review, a supervisory log is maintained in the workpapers where meetings with the City Auditor are noted by date and subject matter. In addition, the ALGA Review of Audit Engagement Checklist is completed at the conclusion of the audit to ensure compliance.

Establishing a disciplinary mechanism: The City Auditor has established the following disciplinary mechanism to promote compliance with the audit organization's policies and procedures and *Government Auditing Standards*:

- *First discovery of non-compliance*: verbal counseling by the City Auditor.

- *Second discovery of non-compliance*: verbal counseling by the City Auditor and required supplementary written analysis regarding the standard not complied with.

- *Third discovery of non-compliance*: written counseling by the City Auditor and required relevant training (online or on location) accompanied by written synopsis of subject matter presented to professional members of audit staff.

Stressing the importance of independence and expectation that auditors will always act in the public interest: The City Auditor's Mission Statement (P&P Section I. Paragraph B) and the IIA Code of Ethics (P&P Appendix F) contain provisions related to the importance of independence and the expectation that auditors will always act in the public interest. Certainly the provisions of the Independence Section of this Policies and Procedures Manual address the importance of independence and the public interest as well.

D. Internal Quality Controls

Internal quality controls are those procedures established by an organization to ensure that its work is conducted satisfactorily and in accordance with professional standards. Controls which the Office has established to help ensure audit quality include: (1) *supervisory review*, (2) *independent review*, (3) *a quality control checklist and* (4) *an annual analysis and summarization of internal quality controls*.

1) *Supervisory review* consists of the review of audit work by the City Auditor or other professional audit staff, as appropriate. Supervision includes:
   - attendance at team meetings to monitor audit progress

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- end-of-survey meetings to develop audit findings and the fieldwork plan
- end-of-fieldwork meetings to review audit results and finalize draft outline
- review of working papers that are significant to elements of key findings
- review of report drafts

2) *Independent review* consists of audit staff not assigned to a project reviewing and verifying the validity and accuracy of information presented in the audit report. The independent reviewer (usually the City Auditor or an Assistant City Auditor) traces all facts and statements to supporting working papers to ensure that information is accurate and factual. The City Auditor, Auditor-In-Charge and Executive Assistant should ensure that the Final Review Checklist (**Form 10**) is completed and included in the workpaper file prior to filing.

3) The *quality control checklist* is a review form taken from the *ALGA Guide* entitled Review of Audit Engagement (**Form 1**). The form is completed for each audit by the audit team and is evaluated by the independent reviewer. The audit team cites working paper references in the "comments" column to demonstrate how compliance was achieved for each auditing standard. The audit team should note those items on the checklist that are not applicable to the particular audit.

4) An *annual summarization and analysis of internal quality controls* will be conducted after the end of each fiscal year in order to identify any potential systemic issues needing improvement.

E. External Quality Control Review

Government Auditing Standards require that audit organizations have an external quality control review at least every three years. An external quality control review, or peer review, consists of a team of external audit professionals assessing the adequacy of the audit organization's internal quality control system and its overall level of compliance with *Government Auditing Standards*.

The Office will undergo an external quality control review every three years by an independent review team using the *ALGA Guide*. Reviewers will be audit professionals from other local governments or private consultants with local government audit experience. The City Auditor will schedule and arrange the review and communicate results to the City Commission and to the public via the Office website. Any deficiencies noted in the review will be addressed and corrected in a timely manner.

The City Auditor's Office has completed the *ALGA Guide's* Audit Organization Description of its Quality Control System to document our quality controls and assist in preparing for a quality control review. The completed form is attached as **Appendix G**.

F. Supervision

Overall supervision of work in the Auditor's Office is provided by the City Auditor. Work assigned to and performed by the Senior Auditor may be administered and supervised by the Assistant City Auditors, when designated by the City Auditor. The amount of supervision provided to auditors varies depending on individual skill levels and the nature of the work.

Role of the City Auditor and Assistant City Auditors (as designated)

The City Auditor and/or an Assistant City Auditor is actively involved in the progress of the audit. The City Auditor or Assistant City Auditor (as designated):

1) Recruits and hires competent staff to assist the organization in maintaining a workforce that has adequate competence.

2) The City Auditor considers the need for hiring outside specialists when 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 will assess the professional qualifications and independence of any specialist prior to engaging them or assigning them to any audit project.

3) Assigns staff to the project and ensures audit objectives are understood.

4) Attends entrance, exit and other major conferences with auditees.

5) Meets with the audit team on a regular basis to ensure that the audit is progressing satisfactorily.

6) Reviews and approves the survey and fieldwork plan, draft outline, report drafts and the final report.

7) Reviews working papers prepared by the audit team.

8) Maintains contact with the appropriate Charter Officer in charge of the audit area.

Role of the Auditors

The auditors (including the Assistant City Auditor, Senior Auditor and Staff Auditors) are responsible for conducting all phases of the audit, achieving audit objectives and following office policies and procedures. All auditors are involved in audit planning and decision-making. Members of the audit team are responsible for:

1) Preparing administrative documents, such as the Audit Start Letter (**Form 2**), and the Audit Assignment and Planning Sheet (**Form 3**).

2) Providing on-the-job training to new staff and assistance to less experienced staff.

3) Regularly assessing their efforts to ensure that audit objectives and milestones are addressed as planned.

4) Documenting team meetings and other supervisory activities by summarizing them in memoranda, tracking them in a Supervisory Log (**Form 4**) or some other means such as copies of meeting agendas.

5) Reviewing integral working papers to ensure quality and consistency with audit objectives.

6) Briefing the City Auditor on audit progress, significant problems encountered and deviations from the fieldwork plan.

7) Maintaining contact with auditees, including appropriate representatives of management. Auditees are to be informed of audit progress throughout the survey and fieldwork.

8) Coordinating with the Executive Assistant to ensure the project is maintained, report processing steps are completed and audit workpapers are properly reviewed, finalized and prepared for filing.

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G. Training

The City Auditor's Office is committed to ensuring that staff maintain professional proficiency and achieve growth through continuing education and training. *Government Auditing Standards* require auditors to receive at least 80 hours of continuing education and training every two years, with a minimum of 20 hours completed in any one year. In addition, at least 24 of the 80 hours of continuing education should be completed in subjects directly related to the government environment and to governmental auditing. The City Auditor's Office establishes and funds a training program each year to meet this requirement.

Each auditor is responsible for discussing their training schedule with the City Auditor and ensuring it includes sufficient hours to meet the hourly requirements described above as well as those required for retaining certification. Each auditor's training schedule also provides training required to meet the individual's needs and interests, as well as the needs of the office. At a minimum, all auditors should avail themselves to training necessary to develop and maintain a through understanding of *Government Auditing Standards*. Individual auditors are required to maintain a record of their continuing education and training completed. The record must include a listing of the activities completed by title and date, as well as written documenting completion of each activity.

Section III
Managing the Audit Process

The policies and procedures in this section of the manual have been prepared to guide Office staff in managing and conducting audit work. By studying and adhering to the following guidelines, audit staff can help ensure that our audits are conducted in a consistent and professional manner.

A. Overview of the Audit Process

Regardless of the topic, the process followed in conducting audits and reporting to the City Commission and/or management consists of the following phases:

- <u>Audit Selection</u> - Audit topics are selected by the City Commission, City Auditor and/or management based upon identified needs and available staff resources. Allegations of waste, mismanagement or fraud in a program receive immediate attention.
- <u>Initiating the Audit</u> - Several administrative activities are performed to begin the audit, such as assigning audit staff and notifying management of the organization scheduled for audit.
- <u>Preliminary Survey</u> - During the audit survey, auditors familiarize themselves with the department or function by conducting background interviews and research. In addition, they identify risks and potential issues and determine audit objectives and methodology.
- <u>Audit Fieldwork</u> - Fieldwork consists of data collection, analysis and other activities designed to meet audit objectives. During fieldwork, auditors obtain more specific information to support and document audit findings.
- <u>Reporting</u> - Reporting is the preparation of the written report which communicates auditor findings, conclusions and recommendations.
- <u>Independent Review</u> - The written report undergoes an internal quality control process to ensure that it is complete, accurate, objective and convincing. Independent review also assists in editing the report for clarity and conciseness.
- <u>Follow-Up</u> - The City Auditor's Office employs several follow-up procedures to help ensure that management has taken appropriate action to resolve problems identified in audits.

Each audit has an auditor or a team of auditors assigned, working under the overall direction of the City Auditor or Assistant City Auditor as appropriate.

Throughout the audit, the auditors work with managers of the audited department to obtain input and inform them of audit progress. The team should brief management at the end of the survey and fieldwork phases of the audit. In addition, report drafts are circulated to department managers and meetings are held to obtain their feedback before the report is finalized and issued.

B. Audit Selection

Audits included in the City Auditor's Annual Audit Plan are selected based on input from the City Commission, management, audit staff and other sources. The following criteria are generally used in selecting audits for inclusion in the Annual Audit Plan:

1) Potential for savings, additional revenue and/or service improvement
2) Interest of the City Commission, Management and the public
3) Evidence or substantive allegation of problems or wrongdoing
4) Exposure to loss of City resources due to large expenditures or inherent program risk
5) Availability and expertise of staff to conduct the audit.

Selection of audit topics is done annually prior to the beginning of each fiscal year. The selection process includes the following steps:

1) The City Auditor meets with audit staff to develop a list of potential audits.
2) The potential audits identified are evaluated in terms of the criteria described above.
3) The City Auditor meets with each City Commissioner to discuss potential audit areas. Commissioners are asked to rank topics in order of interest, add new topics or indicate which topics are of no interest to them.
4) The City Auditor solicits input from the City Manager, General Manager of Utilities, City Attorney, Clerk of the Commission and Equal Opportunity Director. Input is also solicited from the City's external auditors and others as deemed appropriate.
5) Based on the input received, the City Auditor prepares a proposed Annual Audit Plan. The proposed plan is presented to the Audit, Finance and Legislative Committee and presented to the City Commission for approval within two months of the beginning of the fiscal year.

In addition to scheduled audits, the City Auditor's Office occasionally conducts unscheduled audits provided staff and resources are available. City Commission and management requests or allegations of significant irregularities may be given priority over scheduled audits if immediate action is needed to protect City assets or for other urgent reasons.

C. Initiating the Audit

Several activities must be accomplished before an audit can begin. At a minimum the following steps should be taken:

- assignment of staff
- distribution of the audit start letter
- scheduling of planning meeting with assigned auditors and the City Auditor
- establishment of the administrative/workpaper file.

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1) Assignment of Staff

The City Auditor is responsible for assigning staff to audit projects. In making assignments, the City Auditor considers the skills and knowledge needed to conduct the audit, the number of staff needed to complete the audit in a timely manner and the possible need for outside expertise. In addition, the City Auditor considers opportunities for career development and auditor interest when making assignments. Names of staff selected to work on an audit are entered on the Audit Assignment and Planning Sheet (**Form 3**). After the assigned auditors have completed the preliminary survey and have developed the draft audit plan and audit program (**Appendix H and Appendix I**) they are responsible for discussing the budgeted hours and target completion date with the City Auditor and recording the amount on the Audit Assignment and Planning Sheet. As fieldwork and testing progress, auditors develop revised budgeted hours and target completion dates (as needed) on the Audit Assignment and Planning Sheet.

A copy of the Audit Assignment and Planning Sheet should be made with any revisions to budgeted hours and completion dates. This sheet should be submitted to the City Auditor for approval and attached to the original.

2) Audit Start Letter

Prior to beginning an audit, an Audit Start Letter (**Form 2**) is sent to the appropriate Charter Officer. The Audit Start Letter is management's notification that the City Auditor is planning a review in the area identified and requests the Charter Officer to designate a contact person for the audit.

The Audit Start Letter also introduces audit members and explains the general scope of the audit. Requests for specific information to be provided at the entrance conference may also be included in the letter. The letter indicates that audit staff will be contacting department management to arrange for an entrance conference.

3) Scheduling A Planning Meeting

Before beginning the audit, the City Auditor and assigned staff meet to discuss the general scope of work to be performed. Topics for discussion include:

a) General scope of the audit
b) Specific items or issues to be reviewed during the survey
c) City Commission, management and public concerns
d) Possible sources of information, including persons to interview
e) General timeframe for completing this audit.

4) Establishment of the Administrative/Workpaper File

Every audit conducted requires key administrative documents. Among these items are the Audit Start Letter, correspondence, report drafts and the final issued report. Some of these administrative documents are to be retained in the workpapers and others are retained in the office administrative file. Complete listings of items to be placed in the audit workpapers and the administrative file are contained in **Appendix J** (Audit Workpaper File). Responsibility for establishing and maintaining both the

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administrative and workpaper files rests with the audit team. However, the audit team and Staff Assistant should work closely together to ensure that all appropriate documents are on file.

D. Audit Survey

The purpose of the audit survey is to gain a general working knowledge of the entity or activity under review, identify problem areas warranting detailed review and gain sufficient information to enable the auditors to develop a detailed work plan. Steps to be followed in conducting the audit survey include:

- holding an entrance conference with department management
- completing the survey checklist
- preparing the audit plan and audit program
- briefing management and the City Auditor on the survey results.

1) Entrance Conference

An entrance conference is held with the manager of the department to be audited. The purpose of the conference is to explain the intent of the audit and to establish a good working relationship with department management. It is sometimes necessary to hold two separate conferences, one with the Charter Officer and another with the department manager and appropriate staff.

An auditor contacts the conference participants and arranges a meeting time. At the conference, the City Auditor or Assistant City Auditor:

a) Introduces the audit team.
b) Explains the purpose and general scope of the audit.
c) Explains the overall audit process and major activities of each audit phase - survey, fieldwork and reporting.
d) Explains a general timeline for the audit with a qualification that times may vary depending upon scope of fieldwork.
e) Explains our practice of briefing management throughout the audit process.
f) Makes arrangements for access to department information systems, if necessary, and for use of department equipment, such as copiers and computers.
g) Requests input from elected officials and/or department management on areas of special concern to them, including risks of fraud.

2) Survey Checklist

Activities to be completed during the audit survey are listed in the survey checklist (**Appendix K**). The survey checklist is designed to help acquaint auditors with an organization or function and to help them identify issues, potential audit findings and the elements of the audit findings. Because each audit topic is unique, it is usually necessary to add and/or delete items from the checklist. After it has been determined which steps are appropriate, the auditors estimate the number of auditor hours and a targeted completion date for the survey in the Audit Assignment and Planning Sheet (**Form 3**). Following is a brief discussion of each section of the survey checklist.

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General Familiarization

Auditors review adopted budgets, budget requests, annual reports and other documents which provide descriptions of services and operations. In addition, on-site visits and a walk-through of operations can be helpful in understanding the program and spotting potential problems. In a walk-through, auditors observe conditions and ask questions about work flow, filing systems, equipment usage and so forth. For operational audits, auditors are also encouraged to spend a day in the field with personnel in what is commonly called a "ride along". Examples include a "ride along" with a police officer, fleet supervisor or code enforcement inspector.

Interviews

Background interviews are held with key department personnel to gain familiarity with policies and practices, obtain written materials and identify issues or problems. Knowledgeable persons from other City departments and outside City government could also be interviewed for their insights and suggestions.

Legal Compliance

Auditors review relevant laws to determine whether there appears to be general compliance with these laws. If auditors determine that a detailed assessment of compliance is needed in any area, they should refer to the GAO publication, *Assessing Compliance with Applicable Laws and Regulations.*

Management Controls

Management controls are methods used to ensure that an organization achieves its objectives, operates efficiently and in compliance with applicable laws and regulations and adequately safeguards its financial assets. Controls which auditors review include:

1) department mission statement, goals and objectives, priorities and strategic plans
2) organizational structure and assignment of duties to staff
3) written policies and procedures
4) performance standards
5) management reports
6) internal controls over financial assets

If a computerized information system contains information that is critical to the audit, the reliability of computerized data will need to be tested. Auditors should refer to GAO's publication, *Assessing Internal Controls in Performance Audits.*

Auditors should be continually alert to situations or transactions which could indicate the existence of fraud, abuse or other irregularities. Accordingly, auditors should assess risks of fraud occurring that are significant within the context of the audit objectives. In the event auditors find indications of an irregularity, they should confer with the City Auditor. If fraud is suspected, the City Auditor will make a decision as to 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) or their written designee requesting a criminal investigation. Resolution 970187 (**Appendix C**), *Resolution Approving and Adopting City Auditor-Internal Responsibilities and*

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Administrative Procedures, Section 7, Report of Irregularities, provides further guidance on steps to be taken under these circumstances.

Analysis and Tests

Data from budget documents, annual financial reports and accounting records are obtained to analyze historical expenditure and staffing levels. In addition, auditors may conduct preliminary tests of a sample of transactions or procedures. Such testing can be used to familiarize auditors with operating practices, identify risks and/or potential findings, or give auditors a better understanding of how to conduct compliance or substantive testing during fieldwork.

Follow-Up

The auditors identify related audits conducted previously by the City Auditor's Office. If a prior audit was conducted, auditors need to determine what actions have been taken by management to address audit recommendations.

Research of Literature

Auditors identify and review audit reports, management studies and professional literature on subjects pertinent to the audit. Good sources of information include the A.L.G.A. Local Government Auditing Quarterly, publications of the International City and County Management Association, the Institute of Internal Auditors and the U.S. General Accounting Office.

Other Survey Steps

This section of the checklist is left blank, allowing auditors to add survey steps tailored to the specific service or activity.

3) Preparation of the Audit Plan and Program

During the survey, auditors identify areas which hold the greatest risk or potential for significant finding. Based on survey results, the auditors develop audit objectives and prepare the audit plan and audit program. A survey may occasionally identify no issues, only minor issues, or issues which can easily be addressed by management. In those cases an abbreviated letter or Report to Management may be the more appropriate means of completing the audit. The format of a Report to Management is the same as an audit report as described in the section entitled **Audit Reporting** (Report Format), except the Audit Results section is replaced with a Survey Results section. The Survey Results section is described in more detail in a later section.

Audit Plan

The auditors meet with the City Auditor to review survey results and potential audit areas. Issues addressed in these meetings include significance of possible findings, availability and reliability of audit evidence and audit resources needed. The auditors prepare an **Audit Plan** (**Appendix H**) summarizing

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work performed during the survey, survey results, and the auditor's recommendation for work to be completed during fieldwork. The **Audit Plan** consists of the following sections:

1) Engagement Name and Authorization - The engagement name is defined and an explanation regarding the authorization for the audit (e.g. annual audit plan, City Commission referral or management request) is provided.
2) Proposed Scope - Summarizes the proposed scope of work to be provided.
3) Management Contact - This section lists those persons assigned by management as the contact person for the subject audit.
4) Staffing - Describes the responsibilities of the audit staff assigned to the project.
5) Services Rendered - Describes in general terms the nature of the audit work performed for the subject audit.

Audit Program

The **Audit Program** (**Appendix I**) outlines the audit objectives and specific work to be completed during fieldwork. It contains statements of objectives, each followed by specific work steps to be completed to accomplish the objective. An objective is often one of the elements of a potential finding.

The Audit Program is prepared in outline form and contains space for providing the following information for each audit procedure:

1) the estimated and actual completion date for each procedure
2) the date and by whom the work step is accomplished
3) working paper reference(s) documenting completion of the work step.

The Audit Plan and Audit Program is approved by the City Auditor before fieldwork begins.

Auditors must continually focus on ensuring that audit work within the Office is performed in accordance with GAGAS. Accordingly, auditors should discuss any anticipated departures from GAGAS with the City Auditor and should:

- use professional judgment when determining how standards specifically apply, defining the scope of work, selecting the methodology, determining the type and amount of evidence to be gathered, selecting and executing tests, and evaluating and reporting results;
- exercise professional skepticism throughout the assignment;
- neither assume that management is honest nor dishonest, and;
- obtain reasonable assurance that material misstatements or significant inaccuracies in data will likely be detected if they exist.

It is sometimes necessary to revise the audit plan and/or audit program during the course of fieldwork. Auditors may encounter difficulties in completing certain tasks or discover new issues or findings. Some unanticipated problems may include inaccurately recorded transactions, possible fraud or difficulty obtaining automated data. When revisions are needed, auditors should obtain approval from the City Auditor, reflect the changes in the audit plan and/or audit program as appropriate, and prepare a memorandum for the file explaining the scope and milestone changes.

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4) Briefings on Survey Results

Following completion of the survey, the auditors brief department management on the results of the survey. During these briefings, auditors provide details of work performed during the survey, issues identified, and areas for more detailed fieldwork. In addition, auditors respond to questions and seek input on the proposed scope of audit work.

E. Audit Fieldwork

Once the audit plan has been completed and approved by the City Auditor, auditors are ready to begin fieldwork. During fieldwork, auditors carry out the steps outlined in the audit program by collecting data, conducting analyses and performing other activities designed to meet the audit objectives.

1) Collecting Evidence

Decisions about the type and quantity of information to be collected are important and require sound professional judgment. *Government Auditing Standards* require that auditors obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.

a) <u>Appropriateness</u> – Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity and reliability in providing support for findings and conclusions related to the audit objectives. In assessing the overall appropriateness of evidence, auditors should assess whether the evidence is relevant, valid and reliable.

- Relevance refers to the extent to which evidence has a logical relationship with, and importance to, the issue being addressed. Information is relevant if it has a logical, sensible relationship to the particular issue.

- Validity refers to the extent to which evidence is based on sound reasoning or accurate information.

- Reliability refers to the consistency of results when information is measured or tested and includes the concepts of being verified or supported. When auditors use information provided by officials of the audited entity as part of their evidence, they should determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability of the information. The auditor may find it necessary to perform testing of management's procedures to obtain assurance or perform direct testing of the information. The nature and extent of the auditors' procedures will depend on the significance of the information to the audit objectives and the nature of the information being used.

b) <u>Sufficiency</u> - Sufficiency is a measure of the quantity of evidence used for addressing the audit objectives and supporting findings and conclusions. In determining the sufficiency of evidence, auditors should determine whether enough appropriate evidence has been obtained to address the audit objectives, support the findings and conclusions, and persuade a knowledgeable person that the findings are reasonable. The following presumptions are useful in judging the sufficiency of evidence:

- The greater the audit risk, the greater the quantity and quality of evidence required;

- Stronger evidence may allow less evidence to be used; and

- Having a large volume of audit evidence does not compensate for a lack of relevance, validity or reliability.

Auditors should determine the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions, within the context of the audit objectives. When assessing the sufficiency and appropriateness of evidence, auditors should evaluate the expected significance of evidence to the audit objectives, findings and conclusions; available corroborating evidence and the level of audit risk. The steps to assess evidence may depend on the nature of the evidence, how the evidence is used in the audit or report and the audit objectives.

Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it. The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness is affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditors' findings and conclusions in light of the audit objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

Auditors should perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence. Should auditors identify limitations or uncertainties in evidence that is significant to the audit findings and conclusions, they should apply additional procedures, as appropriate. Such procedures include:

- Seeking independent corroborating evidence from other sources;

- Redefining the audit objectives or limiting the audit scope to eliminate the need to use the evidence;

- Presenting the findings and conclusions so that the supporting evidence is sufficient and appropriate and describing in the report the limitations or uncertainties with the validity or reliability of the evidence, if such disclosure is necessary to avoid misleading the report users about the findings or conclusions; and

- Determining whether to report the limitations or uncertainties as a finding, including any related, significant internal control deficiencies.

There are various methods available to auditors for gathering information to achieve the audit objectives. The particular methods chosen vary from audit to audit and depend on a number of factors, including time constraints, staff expertise and the availability and reliability of information. Data collection techniques can generally be placed into four categories: (1) *interviews*, (2) *analysis*, (3) *observations*, and (4) *surveys*.

Interviews - Interviews are an integral part of data collection. Information that is collected from written records often cannot be fully understood alone. In some cases, the written record must be clarified or explained, and in others, there is no written record available. In addition, auditors often need to find out how employees spend their time and cannot rely solely on what written documents state that they do. Auditors should evaluate the objectivity, credibility, and reliability of testimonial evidence. Documentary evidence may be used to help verify, support, or challenge testimonial evidence.

It is important that auditors develop good interviewing skills. Some key points are:

(1) Most interviews should be scheduled in advance with the interviewee informed of the purpose and nature of the interview.

(2) The auditor should set a positive tone and not appear threatening or condescending, but should be courteous and tactful.

(3) The auditor should prepare for the interview by reviewing appropriate background materials and making a list of questions to ask.

(4) During the interview, the auditor should listen carefully, take good notes, and when appropriate, rephrase interviewee responses to confirm what was said.

(5) The auditor should "write up" the interview as soon as possible following its conclusion.

Analysis - There are many types of tests and analyses that can be performed. Common analytical techniques include: (1) judgmental or statistical sampling of data; (2) tracing documents, such as contracts or invoices, through the system; (3) comparative and trend analysis (e.g., historical expenditure/staffing levels); (4) advanced statistical analysis such as regression analysis, and (5) operations research methods such as linear programming and queuing theory.

Observations - Auditors can obtain evidence by observing physical conditions and operating practices. Examples include observation of 911 dispatch operations, emergency medical rescue operations and street maintenance crew activities.

Surveys - Surveys and questionnaires are a valuable tool for obtaining comparative information. It is common to survey other cities to obtain comparative data on management practices, staffing and expenditure levels and other related information. Surveys are often conducted over the telephone using a carefully prepared list of questions and requesting that some documents/information be mailed to the City Auditor's Office.

2) Working Paper Preparation and Retention

GAGAS requires auditors to prepare audit documentation related to planning, conducting and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. Auditors should prepare audit documentation that contains support for findings, conclusions and recommendations before they issue the report

Information collected during the audit is retained in the form of working papers. Working papers provide a systematic record of work performed and include the evidence obtained to support the auditor's findings and conclusions. In addition, working papers serve as the connecting link between fieldwork and the written report. The Office's policy is to retain working papers 10 years before being destroyed. Working papers are normally stored in the Auditor's Office, but may be transferred to City archives due to filing and space limitations.

While working papers should be complete, they should also be as concise as possible and restricted to matters that are significant and relevant to the audit objectives. Original source documents or copies should be included in the working papers, especially those that are necessary to support audit findings and conclusions. However, if source documents are too voluminous to be incorporated, auditors should copy only relevant data and include samples of documents to facilitate the reviewer's understanding of what the auditors did.

In addition, it is important that working papers be neat, clear and legible. Audit staff should use personal computers as much as possible in preparing work. Spreadsheet and data base software allow auditors to perform quantitative analysis and other data manipulations that would be difficult if attempted manually.

Labeling Working Papers - Working papers should be understandable without verbal explanation. A reviewer should be able to readily determine their purpose, data sources and the nature and scope of work conducted.

Write-ups of interviews, meetings, analyses and tests, should be labeled appropriately. At a minimum, write-ups should include:

1) <u>Heading</u> - The heading consists of the audit name, which usually includes the department and/or function being audited, and the name of the computer file if the document is computer generated.

2) <u>Name of Person Interviewed</u> - The auditor indicates the name of the person interviewed, as well as their position title and organizational affiliation.

3) <u>Auditor Name</u> - The auditor preparing the working paper initials or signs the working paper.

4) <u>Date/Time/Place</u> The auditor indicates the date, time and place of the interview or meeting.

5) <u>Title/Purpose</u> - A descriptive title is provided indicating the nature and purpose of the analysis or test.

6) <u>Subject/Purpose</u> - A description of the nature and purpose of the interview or meeting is provided.

7) <u>Source</u> - An explanation of the source of the data contained in the working paper.

Records, memoranda and other documents obtained during the audit should be labeled to indicate the source and date received. **Appendix L** contains a sample working paper which illustrates the described labeling formats.

Organizing and Numbering Working Papers - Working papers should be organized in a logical manner. As working papers are gathered and prepared, they should be placed in a two-ring workpaper binder(s). Each binder contains information relating to the audit and has logical division points (e.g., audit objective) for subcategorizing throughout the working papers.

At the beginning of fieldwork, the auditors prepare a numbering scheme for working papers. The letter "A" is used for audit administration; "B" is used for background documents; "C" is used for Finding Development Sheets (**Form 6**), as well as for documentation of an overall assessment of the collective evidence used to support findings and conclusions; "D - Z" is used for fieldwork analysis, testing and conclusion in the order provided by the audit program which is typically organized by finding and/or subject area. (**Appendix J**)

Actual numbering of working papers may occur anytime during fieldwork or during the early stages of reporting. Since documents are continually added or changed during fieldwork, numbering is often done as auditors prepare for independent review. To increase visibility, numbering should be done in red pen or pencil in the bottom right-hand corner of each page. Cross-referencing of working papers should also be done in red pen or pencil to make references easily identifiable and clearly visible.

Tick marks and explanatory notes by the auditor may be used to help tie working papers together, verify the accuracy of computations or otherwise clarify working papers. Tick marks should be defined, and working papers should be free from unexplained or unnecessary marks and comments by the auditor.

Conclusions, summary spreadsheets and summaries of work performed should be placed in the front of sections and subsections to allow the independent reviewer to progress from general to more specific information. If report text is supported by information on summary workpapers they must be tied back to the supporting workpapers.

If supporting spreadsheets or databases are large or contain formulas, workpapers can include data CD's to assist the independent reviewer. A paper printout of the summary results along with clear titles, generous narrative notes and descriptions of formulas will assist the independent reviewer.

3) Development of Findings

Auditors should plan and perform procedures to develop the elements of a finding necessary to address the audit objectives. In addition, if auditors are able to sufficiently develop the elements of a finding, they should develop recommendations for corrective action if they are significant within the context of the audit objectives. The elements needed for a finding are related to the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding. The framework widely recognized in government auditing as the best approach for developing and presenting audit findings is the "Five Elements of a Finding," as described below.

1) Criteria - ("What should be") Criteria are standards used to measure performance. Criteria can be in the form of laws or regulations, industry standards, statistics and or historical data.

2) Condition - ("What is") Condition is the existing state of affairs and represents a discrepancy between condition and criteria, or "what should be".

3) Effect - ("What is the adverse impact?") Effect represents the impact of the discrepancy between condition and criteria. Effect is frequently stated in quantitative terms such as loss of dollars or productivity.

4) <u>Cause</u> - ("Why did it happen?") Cause is the explanation for the deviation between condition and criteria. Identifying cause is important in order to determine what action is needed to correct the problem.

5) <u>Recommendation</u> - ("What should be done?") The auditors make recommendations to management on actions needed to correct the deficiency. A recommendation is usually the inverse of the cause.

FORM 6 contains a Finding Development Sheet to be used by auditors in developing findings. The form can be used during each audit phase, including the survey to help identify potential findings. In analyzing findings, it is important for auditors to consider materiality and significance, which are normally judged by the extent of adverse effect (e.g., dollars lost, increased risk to public health, etc.).

F. Audit Reporting

The City Auditor's Office prepares a written audit report communicating the results of each audit conducted. Audit reports should:

- Communicate the results of audits to those charged with governance, the appropriate officials of the audited entity and the appropriate oversight officials;

- Make the results less susceptible to misunderstanding;

- Make the results available to the public, as applicable; and

- Facilitate follow-up to determine whether appropriate corrective actions have been taken.

If an audit is terminated prior to completion and an audit report is not issued, the Office will document the reason(s) why the audit was terminated and the results of the work to the date of termination. Determining whether and how to communicate the reason for terminating the audit to those charged with governance, appropriate officials of the audited entity, the entity contracting for or requesting the audit and other appropriate officials will depend on the facts and circumstances involved and, therefore, is a matter of professional judgment.

1) Characteristics of a Well-Written Report

The Office places great emphasis on the quality of audit reports. The value of our work to the City Commission, management and the public is judged primarily by the quality of our written audit reports. To be effective, audit reports should have the following characteristics:

Significant and Useful - Matters included in an audit report should be sufficiently significant and useful to justify reporting them. Factors to consider when determining significance include: (1) the degree of interest by the City Commission, management and the public, (2) the relative size of the program measured in dollars, (3) the frequency of occurrence of the problem, and (4) the potential for loss. Typically, significance is judged by effect (e.g. dollars or productivity lost, public endangerment). To be useful, reports should be structured to the needs and interests of the intended audience.

Timely - Reports should be issued as promptly as possible to make them available for timely use by the City Commission, management and other interested parties. Interim reporting should be considered, when deemed necessary, in order to provide additional assurance that relevant information is provided to legislative officials in a timely fashion.

Accurate and Sound - The City Auditor's Office places great emphasis on the accuracy and soundness of information presented in audit reports. Inaccuracies found in an audit report can cast doubt on the validity of the entire audit and can have a damaging effect on the credibility of the Office. Supervisory review, independent review and proofing and editing of report drafts are all intended to help ensure that information reported is accurate and valid.

Complete Yet Concise - The report should contain sufficient information to facilitate the reader's understanding of the audited entity and of the nature and significance of the audit findings. However, the report should also be as concise as possible and avoid excessive detail or repetition that might confuse the reader.

Clear and Simple - To communicate effectively, reports should be presented as clearly and simply as practical. The writing style should be direct and avoid difficult or unnecessary words. When technical terms or abbreviations are used, they should be defined in the text or in a glossary of terms. Graphs, charts, maps and other visual aids should be used to the extent they facilitate the reader's interest and understanding.

Persuasive - Reports should be written in a convincing manner, and conclusions and recommendations should follow logically from the facts. Information presented should be sufficient to persuade the reader of the significance of the findings, the reasonableness of the conclusions and the importance of taking action to correct the identified deficiencies.

Objective and Balanced - Audit reports should be presented in a fair and objective manner and contain sufficient information to give the reader a proper perspective. Auditors should avoid exaggerations or overemphasis of deficiencies identified. The tone of the report should be constructive in order to foster a favorable reaction to findings and recommendations. Although criticism of past performance may be necessary to demonstrate the need for management improvement, emphasis should be placed on making improvements in the future. In addition, the audit report should cite significant noteworthy accomplishments of the auditee which relate to the audit objectives.

2) Stages in the Reporting Process

There are several stages in the reporting process, beginning with preparation of the report outline. The various stages of the reporting process are intended to ensure that the report issued is consistent with "Characteristics of a Well-Written Report" and has received review and input from the City Auditor, management and other appropriate parties. In general, the typical audit report will develop through the reporting process in the following manner:

Rough Draft - Generally the first draft developed by the auditor in charge.

Discussion Draft - Generally the draft used during discussions with the City Auditor, management and other interested parties.

Final Draft - Draft issued to responsible Charter Officer.

Final Report - Normally, few changes are made to the final draft before the final report is prepared for distribution to the Audit, Finance and Legislative Committee and City Commission. There may be formatting changes made to enhance the readability and/or professionalism of the report. However these are format changes only, not substantive changes to information contained in the report. In addition, the written responses received from management are incorporated into the final audit report.

Report Release and Distribution - The Executive Assistant is responsible for preparing the report's distribution list. In addition to the Office's standard distribution list, the City Auditor and audit team members should provide the Executive Assistant with names of persons and organizations who should receive a copy of the report. When the Office receives a request for audit information from visually impaired persons or others for whom our audit report format is not appropriate, provisions will be made to ensure that audit results are made available to them.

It is important that the City Commission and the appropriate Charter Officer(s) receive a copy of the audit report prior to release of the report to the media. In the unlikely event that circumstances prevent this from occurring, immediate steps should be taken to notify the City Auditor so that the City Commissioners and the appropriate Charter Officer(s) can be notified of the situation.

If, after the report is issued, auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, they should communicate this to the City Auditor immediately. The City Auditor will communicate the information in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organizations requiring or arranging for the audits, and other known users, so that they do not continue to rely on the findings or conclusions that were not supported. If the report was previously posted to the Auditor's Office website, the Office will remove the report and post a public notification that the report was removed. The City Auditor will then determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions or report the original report if the additional audit work does not result in a change in findings or conclusions.

3) Report Format

A. Audit Report Format

Audit reports prepared by the City Auditor's Office generally adhere to the format described below. There are circumstances however, where these general guidelines will not be appropriate (e.g. investigations, research or analysis resulting in limited work and communicated in an abbreviated letter or report to management).

Transmittal Letter – Transmittal letters are prepared to the appropriate Charter Officer to transmit the final draft and to the Audit, Finance and Legislative Committee chairperson and member, and is initialed or signed by the City Auditor. Transmittal letters describe the nature and scope of the audit, recommend a follow-up audit to determine the status of outstanding recommendations, provide a word of appreciation to the audited department for its cooperation, when appropriate, and contain other information as appropriate.

Table of Contents - The table of contents, when appropriate, lists the major sections and headings in the report with corresponding page numbers. When appropriate, a list of tables and figures may also be included in the table of contents.

Executive Summary - The executive summary, when appropriate, provides a concise description of the report's contents, including findings, conclusions, recommendations and other pertinent information.

Objectives, Scope and Methodology - This section contains a description of the audit objectives, the scope and the methodology used for addressing the audit objectives. It includes a standard statement that the audit was conducted in accordance with generally accepted government auditing standards, when appropriate. If any auditing standard was not followed during the audit, it is disclosed in this section of the report. Pursuant to *Government Auditing Standards*, this section includes a discussion of the nature of any confidential or sensitive information omitted and any scope impairments or other information limitations, when appropriate.

Background Information - This section contains: (1) an introductory paragraph which states the overall nature and purpose of the audit, (2) an explanation of why the audit was performed (i.e. included in the Annual Audit Plan, City Commission referral or management request), and (3) background information which introduces the reader to the department or function audited.

Audit Results - This section contains discussion of the detailed audit results including the auditor's findings, conclusions and recommendations. Audit results should contain sufficient, appropriate evidence to support the findings and conclusions and to assist management or oversight officials of the audited entity in understanding the need for taking corrective action. The format of this section of the report normally includes discussion of all five finding elements (condition, criteria, cause, effect and recommendation). The inclusion of or emphasis placed on each finding element and the order in which they are presented will vary depending on the audit objectives and the nature and significance of the issue reported. The audit results section should report:

- any deficiencies in internal control that are significant within the context of the audit objectives;

- instances of fraud, illegal acts, significant violations of provisions of contracts or grant agreement, or significant abuse which has either occurred or is likely to have occurred;

- limitations or uncertainties with the reliability or validity of evidence if the evidence is significant to the findings and conclusions and such disclosure is necessary to avoid misleading the report users about the findings and conclusions;

- the status of known un-corrected findings from prior audits that are related to the audit objectives;

- pertinent, noteworthy accomplishments of the auditee; and

- when necessary, significant issues needing further study or consideration.

Appendices - Useful or important information that is too detailed to include in the body of the report may be attached as appendices. Appendices are assigned letters (A, B, C, etc.) and are always referenced in the body of the report.

Management's Written Response – In accordance with *Government Auditing Standards,* audit reports which present findings, conclusions and recommendations will also include the perspectives of the

responsible officials of the audited entity and the corrective actions they plan to take. Written responses are typically received from Charter Officers after being drafted by the manager of the audited department and are incorporated into the final published audit report.

If management's responses are inconsistent with the findings, conclusions or recommendations in the final draft report, or when planned corrective actions do not adequately address the auditors' recommendations, the City Auditor will evaluate the validity of the audited entity's comments. If the comments are valid and supported with sufficient, appropriate evidence, the audit report will be modified as necessary. If the comments are not valid, the City Auditor will contact the appropriate Charter Officer to discuss necessary revisions to the response prior to final issuance of the report. If adequate revisions cannot be agreed upon, the City Auditor will modify the final report to explain the reasons for disagreement with management.

B. Reports to Management

When auditors detect deficiencies in internal control that are not significant to the objectives of the audit or they detect violations of provisions of contracts or grant agreements, or abuse that are not significant, they may include those deficiencies in the audit report. Alternatively, the City Auditor may elect to have those deficiencies or violations communicated in writing to officials of the audited entity. Any such written communications will be referred to in the audit report unless the deficiencies are inconsequential, considering both qualitative and quantitative factors.

Determining whether or how to communicate to officials of the audited entity any inconsequential deficiencies, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse is a matter of professional judgment. Such communication will be documented by auditors in the workpapers.

4) Completion of Administrative File and Working Papers

The City Auditor and audit team should work with the Executive Assistant to ensure that workpaper files are properly completed following issuance of the report. Auditors are responsible for ensuring that working papers are numbered and organized with cover sheets. Auditors are also responsible for completing an Audit Data Sheet, indicating performance achieved on the audit in various categories (**Appendix M**). In addition, the auditors should prepare an abstract of the audit for submission to the Local Government Auditor's Newsletter.

The Executive Assistant is responsible for ensuring completion of the Final Review Checklist (**Form 10**), binding the working papers, obtaining the City Auditor's final sign-off on the workpaper cover, placing the workpapers in the audit file drawers, obtaining input from appropriate managers through end of audit surveys and placing the final audit report on the City Auditor's Office website.

The City Auditor and members of the audit team may find it useful at times to review the various stages and decisions made during the audit to determine if improvements in efficiency and effectiveness can be made in future audits.

G. Independent Review

The audit team is responsible for indexing the draft to supporting working papers so that every significant item of information can be traced to a source. Indexing is done by placing cites to specific working papers on the draft in the right-hand margin of each page. Indexing cites may also be placed directly above dates, dollar figures and other data in the narrative. Summaries should be indexed back to pages of the report containing the supporting information.

When the draft has been completely indexed, the independent reviewer checks the working paper cites and verifies information for accuracy and adequacy of support. Once satisfied that the information is accurate and adequately supported, the reviewer indicates approval on the draft. When all information on a page has been verified, the independent reviewer initials and dates the page in the space provided.

The independent reviewer should read the draft report to get an overview of the topics and may wish to discuss general issues and methodology with the auditor. Summaries are reviewed last, after review of the indexed pages in the report, ensuring that summary statements are supported by information in the body of the report. Tables and charts should be proofed, calculations verified and agreement between text and exhibits checked.

In judging the adequacy of audit evidence, the independent reviewer should consider the importance of the fact to the finding. For example, an interview write-up may be adequate to support a minor point in the background, whereas a measure of effect should be supported with verified data. Auditor opinion may be cited as support for a statement, but the reviewer should put the idea under additional scrutiny to assure that it is common knowledge and that it is not a key element of the finding. Reviewers should also develop an understanding of the degree of accuracy and specificity that is necessary and sufficient to support audit findings.

Reviewers should watch for hyperbole (generalizations) in the report which may not be supportable. As an independent reader, the reviewer should look for consistency in language, ideas that can be more simply stated or jargon that can be avoided or may need definition.

When the independent reviewer discovers inaccuracies or disagrees with audit logic or adequacy of support, they should place a circled number near the questioned information and describe their comment on the Independent Review Sheet (**FORM 7**). Minor comments can be handled informally/orally; however, all substantive comments should be recorded on the Independent Review Sheet. Review comments may be given to the auditor to clear when convenient (i.e. at the end of major sections), when there is a sufficient number or when the reviewer is done with a volume of workpapers. The auditor responds to each comment made by the reviewer and documents action taken and/or additional information included.

If a disagreement arises which the auditor and reviewer are unable to resolve, the City Auditor intervenes to make a final decision on the matter. Independent review is complete when all review comments have been cleared. Text changes to the draft are made in a distinctly colored pen or pencil so that changes to the text can be clearly seen. When all comments have been resolved, the independent reviewer should initial and date the page.

While reviewers make suggestions for strengthening documentation and improving report presentation, they should not become involved in conducting analyses and/or preparing working papers.

H. Audit Follow-up

Follow-up on audit recommendations is important to help ensure that management has taken appropriate action to resolve identified deficiencies. In general, audit reports issued by the City Auditor's Office include a recommendation providing for a follow-up at a later date to determine the status of outstanding recommendations. Resolution 970187 Section 10, Responsibility for Follow-up Audits provides for performing follow-up audits as follows:

a) Upon approval of the City Auditor's original report and management's response by the City Commission, the recommendations and expected date of implementation are recorded. Periodically, the City Auditor will notify the appropriate Charter Officer in writing of recommendations that have been outstanding for at least six months and request a written update regarding the status of implementation.

b) The responsible management official will then provide a written status report to the appropriate Charter Officer who will then report this information to the City Auditor.

c) Upon notification that corrective action has been taken to implement the recommendation, the City Auditor will take the necessary steps to verify that corrective action has been taken and a report will be issued to the Audit, Finance and Legislative Committee.

I. Allegations of Fraud, Waste or Mismanagement

It is important to pursue any allegations made by citizens, City employees or others regarding waste, mismanagement or fraud in City programs. When audit staff become aware of comments or concerns about operations or employees they should encourage the individual to further discuss the issue.

In a non-judgmental manner the auditor should elicit as much specific information as possible from the person to develop a general understanding of and conclusions regarding:

- the significance or materiality of the problem
- the means or tests necessary to support the reported information
- the reliability of the information reported
- whether actions may be criminal
- whether others are already investigating the problem
- whether any corrective measures have already been taken

The auditor should attempt to obtain the person's name or a means of later contact for more information. The auditor should also ask questions to determine whether there is a reasonable possibility that the person could be retaliated against if his or her identity were made known.

Florida Statutes (FS 112.3187, Adverse action against employee for disclosing information of specified nature prohibited; employee remedy and relief) prohibits revealing the "whistleblower's" identity

without their written consent. However, because of public information laws we cannot assure anonymity to the person. From a practical standpoint, the circumstances of the situation may point directly or indirectly to the individual making the allegation. The individual making the allegation should be made aware of this fact. If the person is willing to speak after receiving this caveat, the auditor should obtain as much information as possible and request that they call again a week later in case we have more questions.

The auditor should also notify the City Auditor as soon as possible of the conversation and explain fully the nature of the discussions, including all specific information provided by the person and the auditor's initial conclusions regarding the areas noted above. The City Auditor will advise the auditor on the format to be used to document the information obtained and will provide guidance on any further actions to be taken to investigate the allegations.

To best apply the audit resources in the office, the City Auditor has final authority in determining the type and timing of investigative action to be taken, with the following general guidelines:

Immediate action

- When the alleged activities could be criminal
- When the alleged activities appear to violate City ethics rules
- When the alleged activities pose a high risk to the safety of the public or City personnel
- When the alleged activities pose a high risk to significant City assets or operations

Add to Audit Schedule/List of Possible Audits

- When evidence would be difficult to obtain to substantiate the allegation
- When the allegations concern management decisions resulting in large service/financial inefficiencies
- When the allegations suggest possible improvements in service quality or efficiencies
- When the alleged activities pose a low risk to City programs

Defer to Management

- When evidence would be difficult to obtain to substantiate the allegation
- When the alleged activities are not financially material
- When management is already investigating the allegation
- When the allegations are related to Labor Relations or Sexual Harassment

When deferring to management, the Auditor's Office should generally ask for updates on the status of the allegations to determine whether appropriate actions were taken.

More than one course of action may be taken. For example, an immediate investigation may not substantiate the allegation, but the review/investigation could also be added to the Annual Audit Plan. Similarly, deferring to an on-going management investigation would still allow the Auditor's Office to conduct its own investigation at a later date if management failed to produce a thorough and detailed report.

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Investigations will be planned in a manner that most quickly and efficiently verifies the substance of the allegation. Investigations will be terminated if there appears to be little or no objective evidence to support the allegation. The investigating auditor will discuss his or her activities and conclusions with the City Auditor at successive stages of the investigation to determine whether further effort is necessary. If the investigation is to be terminated, the auditor will document the scope, methods and results of the investigation, with a recommendation and reasons for not proceeding.

When an allegation indicates a possible criminal action, the City Auditor will consult with the City Attorney's Office, and/or law enforcement authorities deemed appropriate for the situation as provided for in Resolution 970187 Section 7, Report of Irregularities. The City Auditor will also decide when to notify the City Commission regarding the allegation and investigation, based upon the substance of the allegation, the involved City employees and the types of preliminary actions that the Auditor's Office could take to substantiate the allegation. Additional information is available in the office files regarding the City Auditor's Hotline Program.

Section IV
Administrative Policies and Procedures

A. Rules of Conduct

City Auditor's Office employees must be particularly careful that private interests and activities do not adversely affect or conflict with their public duties. Staff must avoid any action that might result in or create the appearance of:

- using public office for private gain
- giving preferential treatment to anyone
- impeding government efficiency or effectiveness
- losing complete independence or impartiality
- making a government decision outside proper procedures.

Employees should be familiar with the City-wide policies and procedures provided in their orientation which also identify prohibited conduct.

B. Confidentiality

Employees of the City Auditor's Office are to treat information about audit work in progress as confidential. Staff should not discuss audit work with others outside the Office except appropriate officials of the department being audited.

In addition, while audit staff are encouraged to foster positive relations with auditees, it is important that auditors be viewed as impartial. Auditors should be wary of social or personal relationships that could compromise their independence and objectivity.

C. Correspondence and Contact with the Media

Written correspondence from staff of the Auditor's Office which expresses views or conveys information to persons or organizations outside the Office should normally be cleared by the City Auditor. Correspondence prepared on office letterhead which could be perceived by others as factual statements should be reviewed and approved by the City Auditor. Routine correspondence with other City personnel or persons outside City government for the purpose of obtaining documentation or research material may be sent without the City Auditor's signature. When in doubt, staff should confer with the City Auditor.

Communication with the media is normally the responsibility of the City Auditor and requests for information from the media should be directed to him. When the City Auditor is unavailable, audit staff may respond to a reporter's request for information. However to the extent possible, remarks should be limited to information presented in the published audit report.

D. Public Access to Office Records

The State of Florida has laws pertaining to public access to government records (Chapter 119) that, in general, entitle the public to know how their government is conducted. Any record of the public's business is, with some exceptions, available to any citizen.

Section 119.0713(2)(a) provides that the audit report, workpapers and notes of an internal auditor prepared for or on behalf of a unit of local government are confidential and exempt from public records laws until the audit becomes final. An audit becomes final when the audit report is presented to the unit of local government. Accordingly, most documents prepared by the City Auditor's Office are open to public inspection, but only after the report is presented to the Audit, Finance and Legislative Committee and/or approved by the City Commission.

However, some documents are exempt from public inspection. For example, the identity of "whistleblowers", information regarding employee medical histories, the social security numbers of all current and former City employees, and the home address, telephone numbers, social security numbers and photographs of active or former personnel of local governments whose responsibilities include revenue collection and enforcement or child support enforcement are exempt from public record. Any records related to an ongoing criminal investigation are also exempt from public inspection. Each auditor should be familiar with the provisions of the various laws, rules and regulations regarding public records. Working papers which are restricted from public disclosure must be clearly labeled by audit staff.

Because of Florida's strong public records law, auditors are encouraged to exercise good judgment and discretion in preparing working papers, especially interview write-ups. Comments by interviewees which are shared "off the record" will normally be accessible to the public if included in an interview write-up. Questions regarding what is, or is not subject to disclosure should be addressed to the City Auditor, who may seek advice from the City Attorney. Occasionally, the media or other persons ask to review a report draft and/or accompanying working papers. Such requests should be directed to the City Auditor.

Subject to applicable laws and regulations, the City Auditor will make appropriate individuals, as well as audit documentation, available to other auditors or reviewers upon request and in a timely manner.

E. Time Reporting

The City Auditor's Office has a bi-weekly time reporting system which tracks the hours worked by auditors. All staff record actual hours worked each day on a bi-weekly time sheet (**Appendix N**). The bi-weekly time sheet divides work time into two major categories - project time and non-project time. Project time includes work on audits, administration, City Commission meetings and all other time related to projects that have been assigned a project number. Non-Project time includes holidays, paid time off (PTO), personal critical leave bank (PCLB), funeral leave, jury duty and other time that is not project related.

Completed time sheets are submitted to the City Auditor on a bi-weekly basis at the end of the reporting period. Work hours are then entered into a spreadsheet program to prepare cumulative reports on work

hours, broken down by auditor and by project. Hours reported on the bi-weekly time sheet should be in whole numbers as much as possible. Hours may be broken down into smaller increments, however one half hour is the smallest increment necessary. Information from the Office's time reporting system is used for a variety of purposes. The City Auditor uses time reports to evaluate the efficiency and productivity of work performed by auditors and progress toward accomplishment of Office goals. The time reporting system is also used to provide data for the development of indirect costs allocated to the various City departments.

F. Computers

Auditors are responsible for operating their own City-assigned personal computers in compliance with all City policies pertaining to the proper business use of the computers. New auditors are encouraged to attend training provided and/or ask other staff about software features and usage. Auditors are responsible for storing computer files on the network maintained by the Computer Systems Department (which is backed up daily) or manually backing up important hard disk files on a CD or jump drive.

G. Resource Library

The Office Library has a variety of resources available to staff including:

1) <u>Reference Documents</u> -Budget documents, comprehensive annual financial reports and other reference materials. State of Florida Statutes, the City Charter, Code of Ordinances and City Commission minutes are available through online resources.

2) <u>Professional Literature</u> - Textbooks and other publications on topics ranging from auditing, accounting and financial management to local government police management.

3) <u>Audit Reports</u> - Audit reports issued by the Office and by other jurisdictions.

4) <u>Magazines and Journals</u> - Magazines and journals are placed in magazine storage racks and maintained on the bookshelves of the Office library.

5) <u>Newsletters, Announcements and General Information</u> - The Office Library also contains professional newsletters, newspaper articles, announcements and other information of general interest to staff.

Office staff are encouraged to use these resources and should return documents to their proper locations. Staff should also be aware of information available over the internet and at the various Alachua County Library branches and the University of Florida Library facilities. Staff should also consider the need to obtain documents from other professional and educational organizations.

H. Files, Supplies and Storage

Maintenance of administrative, job and working paper files is the responsibility of the Executive Assistant. State of Florida record retention requirements for local governments generally require internal audit reports to be retained a minimum of 5 years and workpapers a minimum of 3 years. The City Auditor's Office's policy is to retain both audit reports and workpapers a minimum of 10 years (or longer if recommendations remain open).

Administrative files and audit working papers are filed in accordance with the numbering sequence assigned by the Executive Assistant. The Audit Log is maintained by and available through the Executive Assistant. Administrative files include personnel records, training records and plans, subscription and publication information, office supply order forms, office inventory lists, correspondence, time reporting records and budget information to name just a few. The Executive Assistant also maintains an inventory of office supplies (e.g., pens, pencils, paper clips, etc.). Purchase of non-stock or out-of-stock office supplies should be done through the Executive Assistant.

I. "Checking-Out"

When staff temporarily leave the office, they should notify the Executive Assistant or another staff member of their departure and expected time of return. If they plan to be gone for several hours, they should also indicate their destination and, when appropriate, a telephone number where they can be reached. If out of the office for several days, staff should prepare an appropriate message in their "voice mail box" and "E-mail" auto-reply indicating their expected return date. If away from the office on vacation or other leave, staff should complete the appropriate leave form, coordinate their plans as early as possible with the City Auditor and indicate their leave on the office calendar in the copy room.

J. Opening and Closing the Office

It is the responsibility of the first person arriving at the office each day to turn on the lights, cancel the call forward at the front desk, if appropriate, and check and save any messages left on voice-mail while the office was closed.

Before leaving the office at the end of the day, audit staff should organize and clean their work areas and secure any sensitive audit working papers. In addition, the last person leaving the office should make sure all office equipment is turned off, turn off the lights make sure that the office door is locked.

K. New Employee Orientation

The City Auditor has prepared an orientation checklist (**FORM 8)** for new employees of the Auditor's Office. New employees should complete the checklist within their first two weeks of employment with the Office.

L. Compensation

Salaries for employees are paid on a bi-weekly basis. There are 26 pay periods per year and payroll checks are distributed on Thursday following the close of the pay period.

M. Resignation/Termination

Any employee intending to resign his or her position should, out of professional courtesy, give the City Auditor at least two weeks written notice. An employee whose position is eliminated through a budget reduction or is otherwise laid off will receive at least two weeks written notice.

N. Employee Benefits

Employees are eligible for various additional benefits such as pension, health insurance, life insurance and deferred compensation provided by the City to its employees. Specific information on benefits is available from the Human Resources Department.

O. Goal-Setting and Performance Evaluations

Staff of the City Auditor's Office participate in a goal setting and performance evaluation process conducted at the time of each employees performance evaluation. In general, the review date is based on the date of the employee's last salary adjustment, which typically coincides with the end of each fiscal year. This process is intended to improve communication, productivity and professional development. The City Auditor will also utilize this opportunity to analyze and summarize the results of the Office's GAGAS monitoring procedures for each audit conducted by staff members during the review period.

P. Job Descriptions

Appendix O contains the job descriptions for Auditor's Office positions. These documents describe the general expectations for these positions.

Q. Delegation of Authority in City Auditor's Absence

The Assistant City Auditor will typically handle administrative issues or problems that may occur during the City Auditor's absence for extended periods of time.

R. Training and Education

Government Auditing Standards require that each auditor responsible for planning, directing, or reporting on audits should complete, every 2 years, at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any 1 year of the 2-year period. In addition, auditors responsible for planning or directing an audit, conducting substantial portions of the field work, or reporting on the audit under these standards should complete at least 24 of the 80 hours of continuing education and training in subjects directly related to the government environment and to government auditing. To comply with these standards the Office provides training opportunities to staff. Training needs are identified in the performance evaluation process, however, availability and affordability are also considerations in training decisions.

S. Recycling

The Auditor's Office encourages its staff to conserve and recycle office paper. Bins are located throughout City Hall for recycling. Staff are also encouraged to use two-sided printing when practical.

T. Office Hours

The normal hours of operation for the City Auditor's Office are from 7:00 AM to 6:00 PM, Monday through Thursday. If there is not sufficient staff to respond to telephone calls or visitors during these hours,

the voice-mail message should be activated and a notice should be placed in a conspicuous place indicating when the office will re-open.

U. Flextime/Fair Labor Standards Act (FLSA)

Under the Fair Labor Standards Act, administrative, professional and managerial staff are considered salaried professionals. Standard work hours for full time staff generally follow office hours. However, the City Auditor supports the concept of allowing for flexible work schedules, within reason, after completion of the employee's initial probationary period. Ultimately, there is an expectation that full time staff will work a minimum of 80 hours per two-week pay period, accurately recording their daily project time and performing at a level of productivity sufficient to accomplish their responsibilities in a timely manner. Staff should also notify the Office timely regarding any absences in order to assist in providing adequate office staffing.

V. Emergencies

Office staff should be familiar with evacuation procedures in case of fire or other emergencies (see Appendix P for City Auditor's Office Emergency Evacuation Procedures). The Office also maintains a first aid kit located in the cupboard above the sink area in the Copy Room to assist in case of medical emergencies.

W. Petty Cash Expenditures

The Finance Billing and Collections Department reimburses employees for Petty Cash expenses. A Petty Cash Blue Receipt signed by the department head or departmental signature authority and the original store receipt must be presented in order to receive reimbursement. Expenditures for petty cash are limited to $100.00 per Petty Cash Blue Receipt in accordance with City administrative procedures. Reimbursement should be for amounts expended for proper public purposes only.

X. Use of Motor Vehicles for City Business

Employees may use City motor pool vehicles when traveling considerable distances to business meetings or seminars. Employees should contact the Fleet Maintenance Department to arrange for the use of a motor pool vehicle in advance of the desired date of departure. While driving a City vehicle, employees should drive defensively, in a courteous manner, and in compliance with applicable driving regulations.

In some instances the use of a personal vehicle is required to conduct city business. In this case the auditor should be sure to complete the Reimbursement for Use of Personal Vehicle for City Business Form (**FORM 9**).

Y. Service Philosophy

Employees of the City Auditor's Office are always expected to present a professional and courteous demeanor. Telephone calls should be answered as promptly as possible and walk-ins should be greeted immediately. Citizens seeking assistance should be courteously directed to the appropriate department.

Employees are also expected to treat other City employees in a professional and courteous manner. The focus of the City Auditor's Office should be on problem resolution, not personalities. Employees should notify the City Auditor of any incidents or behavior by any City employee which could be interpreted as unprofessional or discourteous behavior.

Z. Work Environment

One goal of the City Auditor is to create a "collegial" workplace where individual abilities, interests and shared knowledge are encouraged, respected and applied. Curiosity and a healthy skepticism is a valuable trait for employees of the Auditor's Office, as is a positive, upbeat attitude.

We should also ensure that our activities as audit staff reflect the high standards we expect of other City employees we are auditing. However, hard work does not preclude enjoyment of our work or each other. Discrete amounts of humor and fun, combined with mutual respect, can only help to improve our office environment and operations.

AA. Problem Resolution

Problems between employees should be solved by those employees. If the problem defies solution, the City Auditor may be called upon to mediate or help solve the problem. Interpersonal problems will not be allowed to interfere with the performance of work.

BB. Prohibited Activities

Some activities are not compatible with government employment. Personnel Policies and Procedures and government auditing standards provide some guidance on appropriate activities.

When employees are uncertain about the compatibility of an activity they should consult with the City Auditor. Some activities which are unequivocally against City policy are as follows:

- receiving gratuities, gifts or items of value from companies or individuals doing business with the City
- violent behavior
- use of illegal drugs or alcohol on the job
- criminal activity
- rude or abusive behavior to employees or the public
- discriminatory behavior or harassment

CC. Drug-Free Workplace Policy

As a part of its commitment to safeguard the health of its employees, to provide a safe place for its employees to work, and to promote a drug-free working environment, the City of Gainesville has established a program relating to the use or abuse of alcohol and drugs by its employees. This program is intended to conform to the requirements of the Drug-Free Workplace program under Florida's

Workers' Compensation Law, FS 440.101-102. Substance abuse, while at work or otherwise, seriously endangers the safety of employees, as well as the general public, and creates a variety of workplace problems including increased injuries on the job, increased absenteeism, increased health care and benefit costs, increased theft, decreased morale, decreased productivity, and a decline in the quality of services provided. This program is established in part to detect users and remove abusers of drugs and alcohol from the workplace, to prevent the use and/or presence of these substances in the workplace, and to assist employees in overcoming any dependence on drugs and/or alcohol in accordance with established guidelines. Office staff should obtain a copy of the guidelines established in accordance with FS 440.101-102 and be familiar with the requirements.

DD. City Residence Requirement

Pursuant to City Commission direction, the Charter Officers must provide Administrative Procedures regarding a City residence requirement. Pursuant to this directive the following Administrative Procedure regarding a residence requirement for employees of the City Auditor's Office has been implemented.

The Charter and Ordinances of the City of Gainesville do not require City residency for the City Auditor or any employee of the City Auditor's Office. The City Commission has the authority to require the City Auditor to be a permanent resident of the City of Gainesville. No other employee of the City Auditor's Office will be subject to such a residency requirement.

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