



## Office of the City Auditor Policies and Procedures

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**Number:** 3.1.1

**Title:** Overview of the OCA Audit Process

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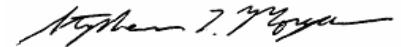
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### I. References:

See *Government Auditing Standards*, also referred to as *GAGAS (Generally Accepted Government Auditing Standards)*, July 2007 revision, Chapters 1, 2, 3 applicable to all audits and investigations and Chapters 7 and 8 applicable to performance audits.

### II. Policy

All audits conducted by the Office of the City Auditor (OCA) shall comply with the *Government Auditing Standards (GAGAS)*. The OCA audit process shall ensure and support compliance with *GAGAS*.

### III. Purpose

This policy sets forth the overview framework of the process used by OCA for conducting performance audits, which is designed to provide assurance that *GAGAS* requirements are met and that performance audits are conducted effectively and efficiently to produce high quality results. Several separate OCA policies set forth more detailed requirements for each phase of the OCA audit process (see embedded references).

### IV. Definitions

- A. **Audit project checklist** – internally-generated form, containing selected compliance-related requirements, completed for each audit project to demonstrate compliance with OCA policies and procedures, the OCA Quality Control System, and *GAGAS*.

### V. Procedures/Responsibilities – with cross-cutting requirements for all phases:

OCA's compliance with *GAGAS* shall be achieved and

demonstrated through adequate supervision, documentation, communication, and adherence to the OCA audit process which includes planning (including both pre-survey and survey), fieldwork, reporting, and close-out phases.

- A. **Compliance with the Audit Process.** **OCA audit teams** shall conduct audits in accordance with the phase-based process set forth below in Section VI, OCA Audit Process Overview. **OCA audit team members** shall follow the specific substantive procedures related to each phase of the OCA audit process which are contained in separate policies as referenced within this policy.
1. The **AIC** is responsible for ensuring that deviations from the process set forth in this policy or specific procedures outlined in the policies referenced herein are documented and approved according to OCA policy 3.1.7, Ensuring Compliance with OCA Audit Policies and Procedures.
  2. The **AIC** is responsible for completing the Audit Project Checklist (the audit checklist) for the audit. The General section of the audit checklist should be completed at audit initiation, while the other sections should be completed during or at the close of each audit phase.
- B. **Documentation.** The **Auditor-in-Charge (AIC)** is responsible for ensuring that all phases of the audit are properly documented in a manner that demonstrates compliance with GAGAS. See OCA policy 3.6.1, Audit Documentation, for specific documentation requirements.
- C. **Supervision.** The **Deputy City Auditor**, responsible **Assistant City Auditor (ACA)**, and **AIC** are responsible for ensuring that all audit work is adequately supervised. Adequate supervision includes but is not limited to:
1. providing sufficient guidance and direction to staff assigned to the audit to address the audit objectives and follow applicable standards;
  2. staying informed about significant problems encountered;
  3. reviewing the work performed; and
  4. providing effective on-the-job training.
- D. **Communication.** The **ACA** and **AIC** are responsible for ensuring that communication occurs throughout the audit to keep management of OCA, management of the audited entity, and other stakeholders informed of the status and findings as appropriate.
1. Audit teams should provide written communication where feasible, and in those cases where verbal communication alone is used, working papers should summarize the communication that occurred.

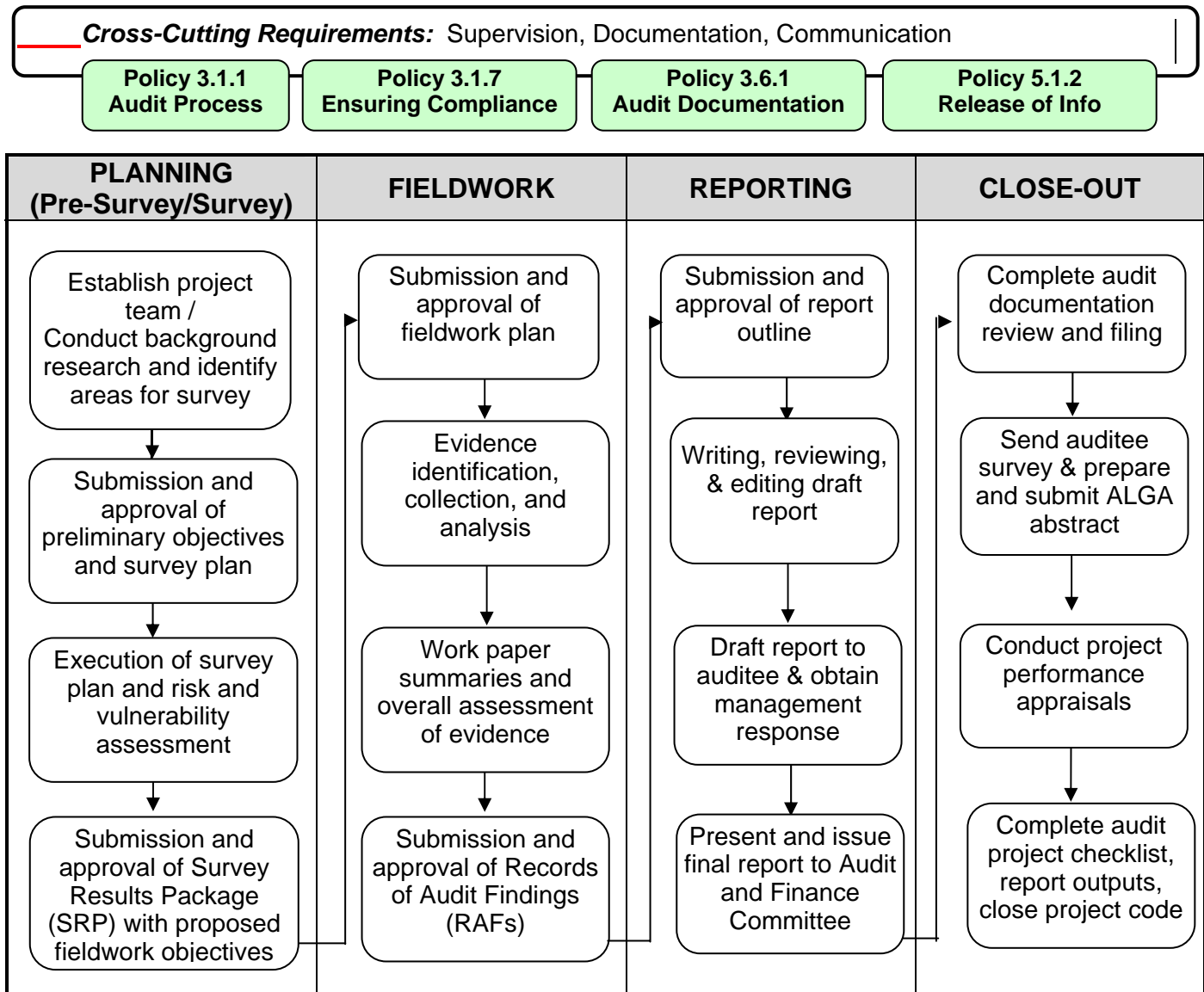
2. At a minimum, an entrance conference, midpoint conference and exit conference should be held with management of the audited entity who has sufficient authority and responsibility to implement corrective action in the program or activity being audited.
3. Audit findings should be communicated to the audited entity before the report is drafted, to help ensure accuracy of the information contained in findings and to promote OCA's philosophy of "no surprises."
4. Additional requirements related to communication are provided in the OCA policies: 3.1.6, Identification and Reporting of Possible Illegal Acts, 3.1.8, Audit Planning; 3.5.1, Report Writing Process; and 3.5.4, Report Content and Format for Performance Audits; and 5.1.2, Release of Information.

## **VI. OCA Audit Process Overview – with requirements for each phase:**

- A. **Planning phase** - the planning phase of an audit consists of establishing the project team, gaining an understanding of the organization or topic to be audited, performing a risk assessment, and developing the objectives, scope and methodology (OS&M) for completing the audit. In OCA, the planning phase typically includes both the pre-survey and survey phase.
  1. **Pre-survey**
    - a. The pre-survey phase involves assessing audit team competence and independence; notifying the auditee; initial project planning including conducting background research; and the identification of areas for which a survey plan will be developed.
    - b. The pre-survey phase begins with the establishment of the project code in the time-accounting system and ends with the approval of the project's survey plan.
  2. **Survey**
    - a. The survey phase involves the collection of information about the audited entity, the formal assessment of risks and vulnerabilities relevant to the preliminary audit objective(s), identification of preliminary findings, and the development and refinement of the fieldwork objectives, scope, and methodology.
    - b. The survey phase begins after the approval of the survey plan, includes a documented risk and vulnerability assessment, and ends upon approval of the survey results package (SRP) with the proposed fieldwork objectives for development of the Fieldwork Plan, and completion/ submission of the Survey binders to the ACA.

3. See OCA policy 3.1.8, Audit Planning, for the specific substantive procedures and responsibilities of the planning phase.
- B. **Fieldwork phase** – The fieldwork phase involves addressing the fieldwork objectives through the planning for and identification, collection, and assessment of audit evidence which is used to develop audit findings and conclusions.
1. The fieldwork phase begins with the approval of the fieldwork plan and generally ends with the approval of the Records of Audit Findings (RAFTs), for development of the draft audit report outline. However, additional evidence collection may sometimes be required based on the assessment of evidence that supports findings and conclusions.
  2. Substantive requirements pertaining to the fieldwork phase are provided in OCA policy 3.1.9, Audit Fieldwork and Evidence.
- C. **Reporting phase** – The reporting phase is used to draft and deliver the audit results.
1. This phase involves finalizing the report outline, preparing and cross-referencing the draft report, conducting an exit conference, obtaining and incorporating management’s comments related to the report and its recommendations, and presenting/issuing the final report to the City Council’s Audit and Finance Committee.
  2. Substantive requirements for the reporting phase are provided in OCA policies: 3.5.1, Reporting Process; 3.5.2, Report Review; 3.5.4, Report Content and Format; 3.5.5, Report Distribution; 3.5.6 Report Corrections, and 3.5.7, Reporting Confidential and Sensitive Information.
- D. **Close-out phase** – This phase involves such tasks as completing audit documentation review and filing, conducting project performance appraisals, submitting an ALGA abstract, and closing the project code in the time-accounting system among others. The substantive requirements of the close-out phase can be found in OCA policy 3.6.3, Audit Project Close-Out.

## OVERVIEW OF THE OCA AUDIT PROCESS



- Policy 3.1.8 Audit Planning
- Policy 3.1.2 Auditor Independence
- Policy 3.1.3 Audit Team Competence
- Policy 3.1.4 Use of Outside Experts
- Policy 3.1.5 Reliance on Work of Others

- Policy 3.1.9 Audit Fieldwork & Evidence
- Policy 3.1.6 Reporting Possible Illegal Acts

- Policy 3.5.1 Report Writing Process
- Policy 3.5.4 Report Content & Format
- Policy 3.5.2 Report Review
- Policy 3.5.5 Report Distribution
- Policy 3.5.6 Report Corrections

- Policy 3.6.3 Audit Close-Out
- Policy 3.5.7 Reporting Confidential & Sensitive Info