

OSC Audits: Procedures & Common Findings

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NYS COMPTROLLER

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Our Mission

- To improve the condition of local governments and the communities they serve.
 - Risk Assessments
 - Audits
 - Reviews (Budget/Tax Cap/Consolidation)
 - Information
 - Training



Authority

- Constitutional responsibility to oversee the fiscal affairs of local governments.
- General Municipal Law
 - Section 33 – To Examine
 - Section 35 – To Report



Why do an Audit?

- Meet legal requirements
- Provide oversight
 - Board/ Supervisory/ OSC
- Ensure the proper handling of public moneys
- Identify improvement opportunities
- Create a forum to express concerns
 - COMMUNICATION



Types of Audits

- Performance Audits
- Financial Statement Audits



Performance Audits

Provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

*“What is supposed to be? What actually is?
What evidence is there to support difference?
Why is there a difference?”*



Performance Audits

Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.



Types of Performance Audits

- Program Effectiveness and Results
 - Program Meeting Goals?
- Economy and Efficiency
 - Processes/Practices in need of Improvement?
- Internal Control
- Compliance with Legal or Other Requirements
 - State, Local, Federal, etc.
- Providing Prospective Analysis, Guidance or Summary Information

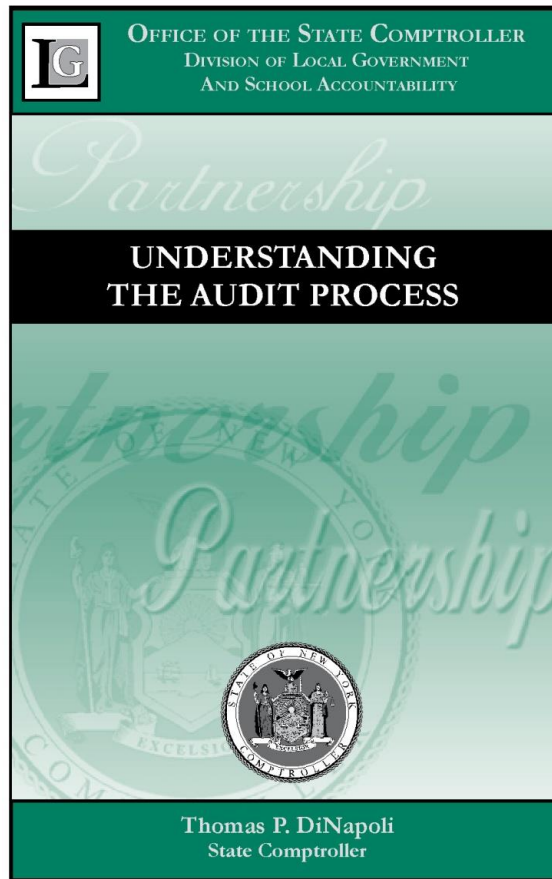


Applicable Standards

- Generally Accepted Government Auditing Standards (GAGAS)
- Promulgated by the Comptroller General of the United States (GAO)
 - General Standards
 - Fieldwork Standards
 - Reporting Standards



The OSC Audit



<http://www.osc.state.ny.us/localgov/audits/theaudit.htm>

Risk Assessment

- Deciding Who and What to Audit
- Research and Information Gathering
- A mile wide, and an inch deep...



Conducting the Audit

- Notification
- Entrance Conference
- Fieldwork
- Reporting
- Exit & Response



Notification

- To Local Government Officials
- A phone call
- An email



Sample Attachment A

- List of Board members, terms and contact information
- Outside business interests of board members, management and key personnel
- Minutes of the proceedings of the Board
- Annual Budgets
- Long-term financial plans
- Any audit reports and management letters
- Any written policies concerning business practices, conflicts of interest and code of ethics
- Employee manual or handbook
- List of all bank accounts
- List of individuals who are bonded and the respective amounts
- Access to financial reports including: Trial Balance, Treasurer's report, monthly bank recs, etc.
- Access to daily cash sheets, cash receipts records, deposit slips, bank statements and check images.
- Access to purchase requisitions, purchase orders, vouchers, abstracts, cancelled and voided checks and any other supporting cash disbursement records.
- Access to collective bargaining agreements, retirement reports, payroll reports, time sheets, and leave accrual records.



Entrance Conference

- Invite key Local Government officials
 - CEO & CFO initially
 - 1-on-1 with anyone else notified (board/clerk/etc.)
- Discuss audit process
 - Staff, timeline, procedures, documentation, needs of staff, access to employees
- Discuss any concerns of Local Government officials
 - Fraud, programs, etc.



Fieldwork

- Planning
- Audit Program
- Communication



Planning

- In General
 - Laws and Regulations
 - Internal Control
 - Purpose and Goals
 - Efforts
 - Program Operations
 - Outputs
 - Outcomes



Planning

- An inch wide and a mile deep...
- Understand and test controls
 - Create our audit procedures
- Focus and finalize our objective more
 - Narrow our scope areas



Fieldwork

- Compare Criteria to what is actually occurring
- Determine why there is a “difference”
- Identify any effects of the “difference”



Fieldwork

- Collect, Analyze, and Test Data such as:
 - Bank Account Reconciliations
 - Receipts and Disbursements
 - Contracts
 - Reports



End of Fieldwork

- Informally discuss with Local Government Officials issues we have identified
 - Verbal Findings
 - Clarification of written findings
 - Attempt to close gaps



Reporting

- Draft Audit Report
- Exit Conference
- Response
- Final Release



Exit Conference

- Is held after fieldwork is completed
- Includes select local government officials
 - Similar to Entrance conference
- Includes a draft copy of the written report, distributed to the officials



Exit Conference

- Provides an opportunity to clarify any issues in the draft report
- Discuss findings and recommendations



District Response

- Officials have 30 days to respond in writing
- The response is included in final report



Report Distribution

- Provided to audited municipality prior to public release
- Is a public document
- Includes formal response from audited municipality



Corrective Action Plan

- GML, Section 35
- 90 days from issuance of Final Report
- Filed by Governing Board
- Describe actions (to be) taken or reasons why not taking corrective action.



Field Services Survey

- Gives feedback about our service
- May be submitted anonymously
- Is sent to those who were active in the audit process or attended the exit conference
- A modified survey is sent to elected board members

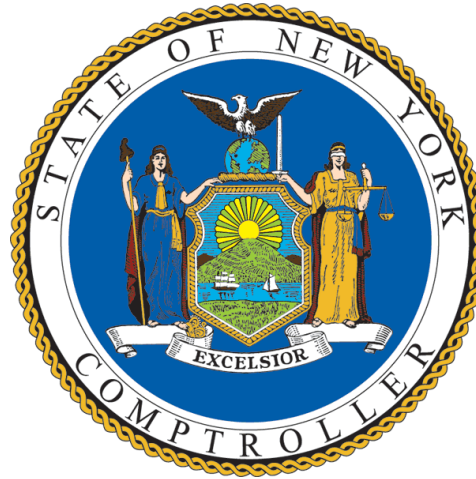


Audit Issues

- Internal Controls over Financial Operations or Activities
 - Separation payments
 - Financial Condition
- Board Oversight
 - Audit of Claims
 - Audit of Financial Records
- Financial Condition
 - Budgeting Practices



Thank You



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