OFFICE OF THE STATE AUDITOR STRATEGIC PLAN 2014
INTRODUCTION AND DESCRIPTION OF OSA

The State Auditor has authority under the Colorado Constitution and statutes to conduct audits in the executive, judicial, and legislative branches of Colorado state government. Article V, Section 49 of the Constitution states that the General Assembly is to appoint the State Auditor and that the State Auditor's responsibility is to conduct audits of all financial transactions and accounts of state government and of political subdivisions when required by law. In addition, Sections 2-3-103 and 29-1-606, C.R.S., state that, in addition to conducting audits of all financial transactions and accounts of state government, the State Auditor has authority to audit the judicial and legislative branches, to conduct performance audits, and to collect and track the annual financial audits conducted of local governments.

The OSA serves the people of Colorado by addressing relevant public issues through high quality, objective audits and reviews. The OSA is a nonpartisan agency that provides the General Assembly information needed to hold government agencies accountable for the use of public resources. Our audits identify ways for agencies to reduce costs, increase efficiency and effectiveness, improve the quality of services, ensure the accuracy and integrity of financial information, and ensure the security of the State's critical computer systems and data.

The OSA employs 60 audit staff with expertise in financial, performance, and IT auditing, as well as 7 support staff. The OSA is organized into three main divisions – Financial Audits/Local Government, Performance Audits, and IT Audits.

OSA MISSION STATEMENT

The OSA's mission is to improve government for the people of Colorado.

OSA VISION STATEMENTS

Our audits will identify efficiencies and cost savings and improve effectiveness and transparency in government.

We will provide objective information, quality services, and solution-based recommendations.

OSA GOAL

Produce quality and timely products that respond to changing demands by maximizing internal efficiencies and available resources, including products that identify cost savings and other financial benefits for the State. The OSA will promote the best and highest use of these products through targeted distribution and presentations.

PERFORMANCE MEASURES

1. **PEER REVIEW** – The OSA will achieve a "pass" rating on every external peer review (which occur every 3 years). The OSA will address all comments from internal peer reviews (which occur annually) and external peer reviews within 12 months of completion of the review.

Baseline/Rationale–External Peer Review. An external peer review is an examination of an audit organization's audit policies and processes by an independent team with expertise in government auditing. The key purpose of an external peer review is to evaluate whether a state audit organization has a quality control system that is designed and operates to provide reasonable assurance of compliance with government auditing standards. External peer reviews are conducted every 3 years. In 2012, the OSA began participating in the National State Auditors Association (NSAA) Peer Review Program. Prior to 2012, the OSA contracted with an independent CPA firm to conduct external peer reviews. The NSAA peer review results in a report that contains an overall opinion on the quality control system of the reviewed audit organization. The report may contain one of three types of peer review ratings, as follows:

- *Pass* means the audit organization's system of quality control has been suitably designed and complied with to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

- *Pass with Deficiencies* means the audit organization's system of quality control has been suitably designed and complied with to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report. A *pass with deficiencies* rating is appropriate when the review team determines that compliance matter(s), including any design matters in the quality control system that allowed such noncompliance, identified during the review of individual engagements are serious and pervasive such that the system of quality control does not provide reasonable assurance of conformance with at least one of the applicable professional standards.

- *Fail* means the peer review team identified significant deficiencies such that the audit organization's system of quality control is not suitably designed to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the organization has not complied with its system of quality control to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Because the OSA began participating in the NSAA peer review program in 2012, the results of that peer review serve as the baseline going forward. The OSA received the equivalent of a "pass" rating on its peer review in 2012.

Baseline/Rationale–Internal Peer Review. The OSA conducts internal peer reviews annually, which involve OSA staff reviewing audits with which they were not involved.

The reviews follow a process based on the external review program, with the intent of identifying and addressing any deficiencies in the OSA's system of quality control on an ongoing basis. A 12-month goal for addressing all comments helps ensure that audit processes are strengthened in a timely way. The following table shows the number and type of comments the OSA received on its internal peer review each year for the last two years and percent of comments addressed within 12 months. Fiscal Year 2010 is the baseline year.

Resolution of Issues Identified in Internal Peer Reviews			
Fiscal Year Covered by Peer Review	**2010**	**2011**	**2012**
# of Matters for Further Consideration[1]	0	2	5
# of Other Items for Consideration[2]	8	6	0
% of Matters and Other Items Addressed Within 12 Months	88%	100%	100%[3]

[1] "Matters for Further Consideration" are office-wide policies or processes that need to be strengthened but are not serious enough to warrant a modified opinion.
[2] "Other Items for Consideration" are less significant than "Matters for Further Consideration," including issues that were isolated rather than being office-wide.
[3] As of March 11, 2014..

2. **TIMELY COMPLETION OF AUDITS** – The OSA will complete 90% of audits by the LAC date planned for in the scope or planning document each year.

Baseline/Rationale–One of the key purposes of an audit is to provide timely information to decision makers. In addition, some audits are required by law to be completed by a specified deadline. Audits are planned to comply with legal requirements and provide timely information. The goal of completing 90% of audits by the planned LAC date helps promote this purpose, while leaving some flexibility for changing circumstances (e.g., changes in audit resources, coordinating processes with the audited agency). Calendar Year 2012 is the baseline year.

Percentage of Audits Completed on Time		
Calendar Year	**2012**	**2013**
% of Audits Completed by the Planned LAC Date	94	89

3. **FINANCIAL BENEFITS –** The OSA will maintain a ratio of at least 3:1 for the 5-year annual average of potential financial benefits to net operating costs.

Baseline/Rationale–This measure is intended to reflect the OSA's focus on identifying potential financial benefits to the State and opportunities to help ensure responsible stewardship of taxpayer money through our audits. Financial benefits may include potential cost savings, collection of fees or debts owed, General Fund cost recoveries, or increases in the value of assets in the State's accounting system. At the same time, many audits, by their nature, address other non-financial types of objectives, such as ensuring compliance with laws and regulations and improving services provided to citizens. The goal of maintaining at least the historical ratio of 3:1 reflects this balance and is a reasonable measure of ongoing financial responsibility by the OSA. Fiscal Years 2008-2012 is the baseline period.

Ratio of Potential Financial Benefits to OSA Net Operating Costs (in millions) 5-Year Average		
	FYs 08 - 12	**FYs 09 - 13**
Potential One-Year Financial Benefits Identified	$28.7	$33.7
OSA One-Year Net Operating Costs (GF appropriations less GF reversions)	$6.3	$6.3
Ratio of One-Year Financial Benefits to Costs	5:1	5:1

4. **VISIBILITY –** OSA staff will make presentations to external groups, committees, or organizations, with at least one new event, committee, or organization each year.

Baseline/Rationale–Making presentations to external groups, committees, or organizations provides an opportunity for the OSA to raise the visibility of the products produced and hold state government accountable. Fiscal Year 2012 is the baseline year.

Number of External Events, Committees, or Organizations Where OSA Made Presentations		
Fiscal Year	**2012**	**2013**
# of Events, Committees, or Organizations	29	32
# of New Events, Committees, or Organizations	NA	8

5. **EMPLOYEE SATISFACTION/RETENTION** – The OSA will increase the job satisfaction rating by employees in each year's organizational survey and improve staff retention annually to a level where annual turnover is below the average of other state auditors' offices of similar sizes.

Baseline/Rationale–Promoting and tracking employee satisfaction and retention are key measures because OSA staff are the backbone of the organization. High employee satisfaction contributes to staff retention and productivity. Staff retention is important to build on the significant investment in staff training, leverage the historical knowledge of staff about state government, and increase the overall efficiency of OSA operations. Fiscal Year 2013 is the baseline year.

Percent of Employees Satisfied with Their Jobs and Annual Retention Rates	
Fiscal Year	2013
Annual OSA Employee Survey: Percent Strongly Agree or Somewhat Agree Regarding Job Satisfaction	77.7%
Average Retention Rate of Similar-Sized Offices[1]	83%
OSA Retention Rate	77%
[1] Includes 21 other State Auditor's Offices with total staff number ranging from 30 to 120. Data from NASACT's Auditing in the States: A Summary, 2013 Edition.	

STRATEGIES

Financial Audits

1. Continue research and planned implementation of GASB 68 (Pension Standard).
2. Develop an in-house process for statistically valid sampling.
3. Work with financial audit managers on identifying and implementing ways to streamline audit processes to manage workload demands and provide support during periods of change, such as staff turnover.

Performance Audits

1. Establish a task force to develop recommendations and proposed trainings on how to evaluate agency processes to identify cost savings and using Lean principles as criteria.
2. Develop an in-house process for statistically valid sampling, including a decision tree to determine what type of sampling is appropriate in a given audit.
3. Implement a process to incorporate the requirements of the SMART Government Act into performance audits and expanding the process to all other performance audits beginning in 2014.
4. Work with performance audit managers on identifying and implementing ways to streamline audit processes to manage workload demands and provide support during periods of change, including staff turnover.

I.T. Audits

1. Evaluate ways to increase efficiencies of IT audit work performed in support of financial and performance audits.
2. Develop and implement a plan for the IT team for stand-alone IT audit reports as identified through a risk assessment.

Infrastructure

1. Continue to staff, schedule, and manage audits to meet five-year audit plan, including cross-divisional projects.
2. Work to establish a culture of retention by continuing to identify and implement strategies to make the OSA an attractive workplace for staff over the long term. This includes ongoing evaluation of mechanisms to recognize/appreciate staff and provide ongoing growth opportunities.
3. Implement enhancements to the OSA on-boarding process, including ways to expose new staff to all audit divisions.
4. Continue and expand participation in external audit organizations and events, including efforts to connect with professors and organizations within higher education institutions to increase interest in careers in the OSA.
5. Develop a task force to look at social media to expand public awareness of the OSA.
6. Continue periodic all-managers meetings to promote cross-divisional information sharing.
7. Continue TUG committee, implement TM upgrade, and continue to address TeamMate issues.
8. Revamp website.
9. Continue the task force to develop ways to implement Lean principles into OSA processes (audit processes, admin, etc.). This group may intersect with the task force responsible for developing recommendations on how to evaluate agency processes to identify cost savings and using Lean principles as criteria.
10. The training committee will maintain an awareness of changes in the State that might require new or additional training for auditors (e.g. CORE).

PERFORMANCE EVALUATION

The OSA will evaluate its performance on each measure at the end of each fiscal year. The results of the evaluation will be documented in an annual report as well as in updates to the Strategic Plan. Past performance on each measure is indicated above.