

OFFICE OF THE STATE AUDITOR STRATEGIC PLAN 2016

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. Audits focus on reducing costs, increasing efficiency, improving the quality of services, and ensuring the accuracy and integrity of financial and other information used by decision makers.

The OSA employs 64 audit staff with expertise in financial, performance, and IT auditing, as well as 8 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 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.

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. The National State Auditors Association (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.

The OSA began participating in the NSAA Peer Review Program in 2012; prior to that time, the OSA contracted with an independent CPA firm to conduct external peer reviews. The OSA received “pass” ratings on both peer reviews completed since 2012 (in 2012 and 2015).

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.

RESOLUTION OF ISSUES IDENTIFIED IN INTERNAL PEER REVIEWS			
Period Covered by Peer Review	April 1, 2012 – March 31, 2013	April 1, 2013 – March 31, 2014 ¹	April 1, 2014 – March 31, 2015
# of Audits Reviewed ²	3	8	10
# of Matters for Further Consideration (MFCs)	5	37	37
% of MFCs Addressed Within 12 Months	100%	100%	100%
¹ Beginning in 2014, the OSA adopted a team-based approach which allows for a more comprehensive review than in prior years. Prior to this review period, the internal review examined work papers for parts of the Statewide Financial audit and one performance audit as well as contract monitoring files for 1 audit each year. For the period April 1, 2013 through March 31, 2014, the review was expanded to examine work papers for the parts of the Statewide Financial audit and 3 performance audits as well as contract monitoring files for 4 audits. The increase in the number of MFCs is a function of the increased scope of the review. ² For the period April 1, 2014 through March 31, 2015, the review examined work papers for parts of the Statewide Financial audit and 3 performance audits as well as contract monitoring files for 6 audits. The number of MFCs is a function of the scope of the review.			

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.

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).

PERCENTAGE OF AUDITS COMPLETED ON TIME			
Calendar Year	2013	2014	2015
% of Audits Completed by Planned LAC Date	89	90	90

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.

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.

RATIO OF POTENTIAL FINANCIAL BENEFITS TO OSA NET OPERATING COSTS (IN MILLIONS) 5-YEAR ANNUAL AVERAGE			
	FYs 09 - 13	FYs 10 - 14	FYs 11 - 15
Potential One-Year Financial Benefits Identified	\$33.7	\$35.5	\$35.0
OSA One-Year Net Operating Costs (GF appropriations less GF reversions)	\$6.3	\$6.3	\$6.7
Ratio of One-Year Financial Benefits to Costs	5:1	5.6:1	5.2:1

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

Making presentations to external organizations, groups, and committees, provides an opportunity for the OSA to raise the visibility of the products produced and hold state government accountable.

NUMBER OF EXTERNAL EVENTS, COMMITTEES, OR ORGANIZATIONS WHERE OSA MADE PRESENTATIONS			
Fiscal Year	2013	2014	2015
# of Events, Committees, or Organizations	32	29	30
# of New Events, Committees, or Organizations	8	8	9

5. **EMPLOYEE SATISFACTION/RETENTION** – The OSA will maintain the job satisfaction rating by employees in each year’s organizational survey at or above 85% and maintain staff retention at or above the average of other state auditors’ offices of similar sizes.

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.

PERCENT OF EMPLOYEES SATISFIED WITH THEIR JOBS AND ANNUAL RETENTION RATES			
Fiscal Year	2013	2014	2015
Annual OSA Employee Survey: % Strongly or Somewhat Agree Regarding Job Satisfaction ¹	90	96	96
Average Retention Rate of Similar-Sized Offices ²	83%	85%	84%
OSA Retention Rate	77%	87%	88%
¹ Based on employee responses to the question “The OSA is a good organization to work for” on the annual organizational survey. ² Includes 23 other State Auditor’s Offices with total staff numbers ranging from 30 to 120. Data from NASACT’s annual <i>Auditing in the States: A Summary</i> reports.			

2016 Strategies and Operational Initiatives

STRATEGIES

Financial Audits:

1. Continue research of the State's planned implementation of CORE Phase 2 and new HRIS system.
2. Continue development of an in-house process for statistically valid sampling.
3. Create a task force to continue identifying and implementing ways to streamline audit processes to manage workload demands and provide support during periods of change, such as staff turnover.

Performance:

1. Develop in-house tools for sampling, including tools for determining what type of sample to use and how to document and report on sampling for all types (statistically valid, random, judgmental, etc.)
2. 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. Continue to evaluate ways to increase efficiencies and effectiveness of IT audit work performed in support of all audits.
2. Continue to look for ways to leverage IT team expertise to provide tools, training, and support to make audits more effective and efficient.

Infrastructure:

1. Continue to staff, schedule, and manage audits to meet five-year audit plan, including cross-divisional projects.
2. Continue to build a culture of retention for staff over the long term. This includes ongoing evaluation of mechanisms to recognize/appreciate staff and provide growth opportunities.
3. Continue using the TUG committee to evaluate new or changed TeamMate functionality for benefits and efficiencies for the OSA.
4. Develop and implement a communication plan that includes ways to expand public awareness of the OSA and continue to revamp website.
5. Evaluate the new State Payroll System: opportunity to change our timekeeping system; better align with CORE and HRIS/TeamTec.

OPERATIONAL

1. Financial– continue to evaluate small agency financial testing.
2. Training– hard skills, attest memos, approaches to financial testing, new staff training curriculum, CORE.
3. Evaluate Accellion for continued use or migration to another technology for secure file transfer.
4. Continue to formalize a plan for the IT team for stand-alone IT audit reports as identified through a risk assessment.
5. Continue periodic all-managers meetings to promote cross-divisional information sharing “Using the Green Book as criteria” (first topic).
6. IT– Formalize a communication plan with OIT for use during the audit process
7. Financial: Standardize communications.
8. Performance– Discuss with managers the creation of a task force to evaluate the current review process for findings and reports and make recommendations for improvement.
9. Create a task force to develop ideas for information sharing processes.
10. Continue to support career development through annual plans, specialized training, and work assignments.