

# OFFICE OF THE STATE AUDITOR STRATEGIC PLAN 2018

## 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 67 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 and will address comments from internal peer reviews within 12 months of completion of the review.

External Peer Review. Every 3 years the OSA undergoes an external peer review, which is an examination of our audit policies and processes by an independent team with expertise in government auditing. The key purpose of the external peer review is to evaluate whether we have a quality control system that is designed and operates to provide reasonable assurance of compliance with government auditing standards. The review results in an overall rating of our quality control system, as follows:

- *Pass* - the system has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- *Pass with Deficiencies* – same as “Pass” with the exception of a certain deficiency or deficiencies that are described in the report.
- *Fail* - the system is *not* suitably designed and/or is not operating to provide 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. 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. Each review may include work papers from part of the Statewide Financial Audit, performance audits, and/or contract monitoring files.

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 comments from internal peer reviews 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, 2013 – March 31, 2014	April 1, 2014 – March 31, 2015	April 1, 2015 – June 30, 2016
# of Audits Reviewed	8	10	3
% of Comments Addressed Within 12 Months	100%	100%	100%

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	2015	2016	2017
% of Audits Completed by Planned LAC Date	90	89	95

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 11 - 15	FYs 12 - 16	FYs 13 - 17
Potential One-Year Financial Benefits Identified	\$35.0	\$45.6	\$36.3
OSA One-Year Net Operating Costs (GF appropriations less GF reversions)	\$6.7	\$6.9	\$7.2
Ratio of One-Year Financial Benefits to Costs	5.2:1	6.6:1	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.

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	2015	2016	2017
# of Events, Committees, or Organizations	30	36	32
# of New Events, Committees, or Organizations	9	12	12

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	2015	2016	2017
% Strongly or Somewhat Agree Regarding Job Satisfaction <sup>1</sup>	96	92	73
Average Retention Rate of Similar-Sized Offices <sup>2</sup>	84%	84%	87%
OSA Retention Rate	88%	87%	86%
<sup>1</sup> Based on employee responses to the OSA annual organizational survey.			
<sup>2</sup> Includes 15 other State Auditor’s Offices with total staff numbers ranging from 40 to 110. Data from NASACT’s annual <i>Auditing in the States: A Summary</i> reports.			