

OFFICE OF THE COMMISSION AUDITOR
Miami-Dade Board of County Commissioners

Policies & Procedures

Manual

Promoting principles of public interest, integrity, objectivity, professional behavior and proper use of government information, resources and position

April 30, 2009 Revision



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**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Office of the Commission Auditor

FROM: Charles Anderson
Commission Auditor 

DATE: April 30, 2009

SUBJECT: Issuance of OCA Policies & Procedures Manual

The April 30, 2009 revision of the Office of the Commission Auditor (OCA) Policies & Procedures Manual (P&P) is hereby issued and is applicable to all OCA staff. It is effective as of this date and supersedes the "P&P Draft," dated January 10, 2006, which previously provided audit procedures guidance for OCA Audit Staff.

This P&P is comprised of four (4) sections.

- Section 1, General Policies and Procedures, provides standards and procedures that apply to all OCA employees, including Audit, Budget, Legislative and Support personnel.
- Section 2, Audit Policies and Procedures, provides standards and procedures for OCA Audit Staff. It also applies to any audit team member or reviewer, including nonaudit staff members and/or outside specialists who participate in an OCA audit.
- Section 3, Budget Policies and Procedures, establishes internal standards and procedures for OCA Budget Staff.
- Section 4, Legislative Policies and Procedures, is under development and will be provided at a later date.

The intent of this P&P is to set overarching policies and procedures, not to describe the details of every project and task that needs to be performed in OCA. Project/task specific plans, procedures, and forms will to be developed separately, as needs arise.

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Table of Contents

Cover Memo	iii
Table of Contents	v
Section 1 General Policies and Procedures	1-1
1.1 Authority	1-1
1.1.1 Miami-Dade County Home Rule Charter	1-1
1.1.2 Functions, Responsibilities and Audit Charter	1-1
1.1.3 Functions and Responsibilities Specified by Legislation.....	1-1
1.2 Organizational Chart.....	1-4
1.3 General Administration.....	1-5
1.3.1 Time and Attendance	1-5
1.3.2 Leave.....	1-5
1.3.3 Disciplinary Action.....	1-6
1.3.4 Outside Employment & Gratuities.....	1-6
1.3.5 Procurement	1-6
1.3.6 Performance Evaluation.....	1-6
1.3.7 Recruitment.....	1-6
1.3.8 County Property	1-7
1.3.9 Information Technology	1-7
1.3.10 Safety	1-8
1.3.11 Personal Telephone Calls.....	1-8
1.4 Ethics.....	1-8
1.4.1 Ethics Requirements for All OCA Staff	1-8
1.4.2 Additional Ethics Requirements for Auditors.....	1-9
1.5 Code of Professional Conduct	1-9
1.5.1 Annual Statement of Independence	1-9
1.5.2 Conflict of Interest	1-9
1.5.3 Integrity and Objectivity.....	1-9
1.5.4 Confidentiality	1-10
1.5.5 Demeanor.....	1-10
1.5.6 Employees Arrested On or Off Duty	1-10
1.5.7 Alcohol & Drug Screening	1-10
1.6 Work Plan and Annual Report.....	1-10
1.7 Public Records Access.....	1-11
1.8 Electronic Document Archive.....	1-11
1.9 Paperwork Management and Document Retention	1-12
Section 2 Audit Policies & Procedures	2-1
2.1 Quality Control System (QCS).....	2-1
2.1.1 Ethical Principles in Government Auditing.....	2-1

Office of the Commission Auditor
Policies & Procedures
Table of Contents

2.1.2	Independence	2-1
	(1) Internal Quality Control System	2-1
	(2) External Impairments to Independence	2-3
	(3) Organizational Impairments to Independence	2-3
	(4) Nonaudit Services	2-4
2.1.3	Professional Judgment	2-5
2.1.4	Competence.....	2-5
2.1.5	Continuing Professional Education (CPE).....	2-6
2.1.6	Quality Control and Assurance	2-7
	(1) Quality Control Procedures.....	2-7
	(2) Analysis and Improvement	2-7
	(3) External Peer Review.....	2-7
2.2	Audit Standards.....	2-8
2.2.1	Fieldwork Standards for Financial Audits and Attestation Engagements	2-9
	(1) AICPA Standards.....	2-9
	(2) Auditor Communications.....	2-10
	(3) Previous Audits and Attestation Engagements	2-10
	(4) Materiality.....	2-10
	(5) Fraud, Illegal Acts, Violations and Abuse.....	2-11
	(6) Elements of a Finding	2-12
	(7) Documentation.....	2-12
2.2.2	Reporting Standards for Financial Audits and Attestation Engagements	2-13
	(1) AICPA Standards.....	2-13
	(2) Auditor's Compliance with GAS.....	2-15
	(3) Internal Control and Compliance.....	2-15
	(4) Deficiencies in Internal Control, Fraud, Illegal Acts, Violations, and Abuse.....	2-15
	(5) Restatement of Previously Issued Financial Statements.....	2-17
	(6) Views of Responsible Officials	2-18
	(7) Privileged and Confidential Information	2-19
	(8) Report Issuance and Distribution.....	2-19
2.2.3	Fieldwork Standards for Performance Audits.....	2-20
	(1) Planning	2-20
	(2) Supervision	2-22
	(3) Evidence.....	2-22
	(4) Documentation.....	2-22
2.2.4	Reporting Standards for Performance Audits	2-23
	(1) Reporting.....	2-23
	(2) Report Contents	2-23
	(3) Distributing Reports.....	2-26
2.3	Audit Procedures	2-27
2.3.1	Audit Working Papers.....	2-27
2.3.2	Starting the Audit.....	2-28
2.3.3	Risk Analysis	2-29

Office of the Commission Auditor
Policies & Procedures
Table of Contents

2.3.4	Audit Program.....	2-30
2.3.5	Audit Authorization	2-30
2.3.6	Certificate of Independence	2-30
2.3.7	Preparing for the Entrance Conference.....	2-31
2.3.8	Performing the Preliminary Review	2-32
2.3.9	Conducting the Fieldwork.....	2-35
2.3.10	Report Phase	2-37
2.3.11	Preparing for the Exit Conference	2-41
2.3.12	Preparing the Final Draft	2-42
2.3.13	Reviewing of Audit Reports	2-43
2.3.14	Final Report Distribution	2-44
2.3.15	Filing Work Papers	2-44
2.3.16	Requests for Audit Documentation from Outside Parties.....	2-45
2.3.17	Follow-Up.....	2-46
2.3.18	Audit Termination Prior to Issuance of Final Report	2-47
Section 3	Budget Policies and Procedures.....	3-1
3.1	Purpose and Authority	3-1
3.2	Duties	3-1
3.2.1	Functional Duties	3-2
	(1) Budget Manager.....	3-2
	(2) Budget Coordinator.....	3-2
	(3) Systems Support Specialist.....	3-2
	(4) Senior Budget Analysts.....	3-2
	(5) Budget Analyst 3.....	3-3
3.2.3	Special Assignments	3-3
3.3	Resource Allocation Plan Cycle	3-4
3.4	Budget Section Work Plan.....	3-5
3.5	Available Budget Training.....	3-7
3.6	Getting Started – Budget’s Big Four	3-8
3.7	Budget Concepts Overview	3-9
	3.7.1 Definition of Organization Charts	3-9
	3.7.2 Definitions of Operating and Non-Operating Expenditures	3-10
3.8	Traditional Budgeting vs. Budgeting for Outcomes	3-10
3.9	Financial Forecasting.....	3-11
Section 4	Legislative Policies and Procedures	4-1
	<i>(Under development)</i>	
Appendices		
	Appendix A – Acronyms	A-1

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Section 1 – General Policies and Procedures

1.1 Authority

1.1.1. Miami-Dade County Home Rule Charter

Authority for the Office of the Commission Auditor (OCA) is derived from a Miami-Dade County Home Rule Charter Amendment adopted by the voters on September 10, 2002, which created the Commission Auditor's position and office. The Amendment: (a) empowered the Board of County Commissioners (BCC) to provide by ordinance for the Commission Auditor's specific functions and responsibilities; and (b) indicated that the Commission Auditor's functions and responsibilities shall include but not be limited to providing the BCC with independent budgetary, audit, management, revenue forecasting, and fiscal analyses of BCC policies, and county services and contracts.

1.1.2. Functions, Responsibilities and Audit Charter

Ordinances providing functions and responsibilities for OCA are codified in the Code of Miami-Dade County (Code), primarily in Sections 2-471 through 2-481. These sections of the Code, as may be periodically amended, function as OCA's audit charter.

1.1.3. Functions and Responsibilities Specified by Legislation

Ordinance No. 03-2, adopted by the BCC on January 23, 2003, delineated OCA's functions and responsibilities as authorized by the Home Rule Charter. This ordinance:

- Provided authority for OCA access to all books and records of all departments, boards, agencies, and other entities of the County;
- Specified responsibilities for audits; management and legislative analyses; program evaluations; review of proposed budgets and revenue forecasts; fiscal analyses of County policies, services and contracts; and, if requested by the BCC, preparation of a budget;
- Indicated that the work of OCA is not intended to duplicate that of the County's internal auditor, Inspector General or Clerk of the Circuit and County Courts although audits or investigations may from time to time address issues arising from the same function or activity;
- Required that matters regarding fraud, abuse or illegality be referred to the Office of the Inspector General for follow-up;
- Stipulated that the organization and administration of OCA is required to be sufficiently independent to ensure that no interference or influence external to the office could adversely affect the independence and objectivity of the Commission Auditor.

Office of the Commission Auditor
Policies & Procedures
Section 1 – General Policies & Procedures

- Clarified that Commission Auditor reports solely to and receives direction from the BCC;
- Required the Commission Auditor to submit a Work Plan for each fiscal year for approval by the BCC;
- Indicated that the approved Work Plan may be amended by a majority vote of the members present to meet circumstances and address concerns of the BCC; and
- Directed that the Commission Auditor will, without amendment to the Work Plan, respond to requests for assistance from individual members of the BCC provided the response requires a relatively minor effort that can be accomplished without disruption to the approved Work Plan.

Ordinance No. 03-65, adopted April 8, 2003, directed the County Manager to develop a schedule and apply performance based program review principles in reviewing the programs of each County department and agency, including all trusts and entities falling under the jurisdiction of Miami-Dade County government, at least once every eight years, commencing with the Fiscal Year 2004-2005 Budget Cycle. The ordinance directed that all performance based program reviews be performed in coordination with OCA.

FY 2004-05 Adopted Budget, adopted September 23, 2004, instituted requirement for OCA review of certain HIV/AIDS community based organizations' expenditures pursuant to General Fund contracts. This requirement was subsequently approved for removal in the FY 2008-09 OCA Work Plan.

Ordinances No. 05-15 and 07-76, adopted January 20, 2005 and June 26, 2007, respectively, required OCA review and periodic reporting of the Manager's exercise of authority delegated in Section 2-8.1 of the Code, which section is entitled "Contracts and purchases generally."

Ordinance No. 05-26, adopted January 27, 2005, established a twelve-month Expedited Purchasing Program (EPP) and required OCA review, evaluate and periodically report on the operation of the EPP. Ordinances Nos. 06-15, 07-49, 08-42, and 09-12 each extended the duration of the EPP. Ordinance No. 09-12 deleted the required for EPP specific reviews, indicating that OCA would henceforth consider the EPP within the scope of the Review of the County Manager's Exercise of Delegated Authorities Pursuant to Section 2-8.1.

Resolution No. R-195-05, adopted February 1, 2005, directed the Commission Auditor to review, analyze and make a recommendation to the BCC regarding all budget amendments proposed by the County Manager.

Ordinance No. 07-45, adopted March 6, 2007, required that long and short term financial and capital improvement plans containing estimates be developed utilizing a professional revenue estimating process. Participants include, but are

Office of the Commission Auditor
Policies & Procedures
Section 1 – General Policies & Procedures

not limited to, the Director of the Office of Strategic Business Management, the Director of the Finance Department, and the Commission Auditor, or their respective designees.

Resolution No. R-506-07, adopted April 26, 2007, created a Budget Section within the Office of the Commission Auditor.

Ordinance No. 07-83, adopted June 26, 2007, conditioned the County's grant to the Performing Arts Center Trust (PACT) of \$4.1 million in operational subsidies, and any prospective funding, upon the PACT's agreement to County Manager and Commission Auditor oversight.

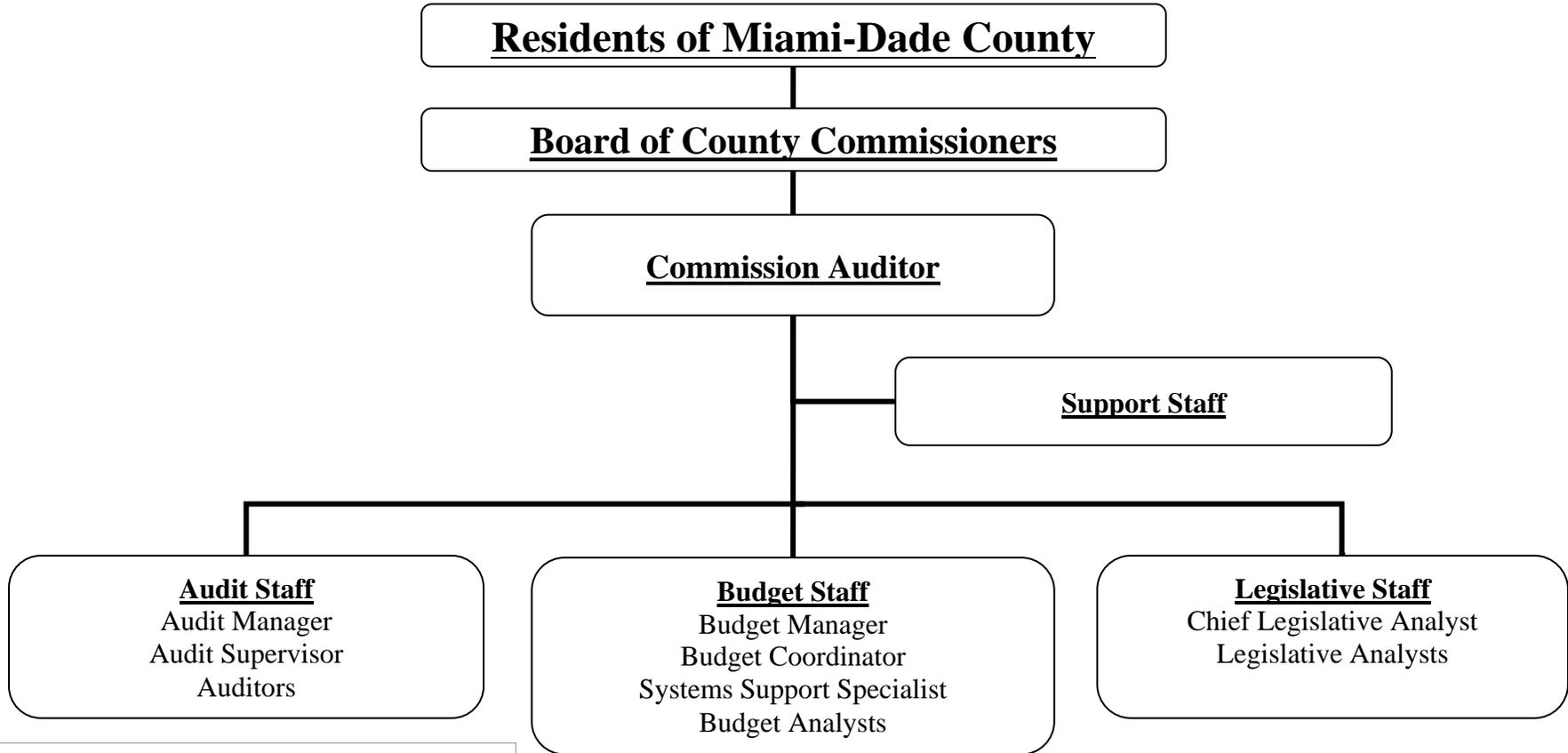
Resolution R-917-07, adopted July 26, 2007, required OCA observe the County's contract negotiations for the purchase of optical scan voting equipment. This project ended with BCC approval of the contract award on November 6, 2007.

Ordinance 08-08, adopted January 10, 2008, modified County budget processes, including OCA's role, and clarified OCA's access to documents, data and personnel. It:

- Modified the County's budget processes;
- Defined OCA responsibilities in these processes; and
- Provided for OCA access to any and all financial, data, and reporting systems of the County and access to all books, memoranda and other documents, including both those internally and externally created;
- Specified that OCA has authority to make direct inquiries of any officer, agent, or employee of any department, board, agency or other County entity to clarify matters under his or her purview.

Ordinance 08-86, adopted July 1, 2008, required that the Metro-Miami Action Plan Trust provide quarterly and annual reports to OCA. Although the ordinance did not require specific actions by OCA, the information impacts OCA's analyses of County budgets.

1.2 Office of the Commission Auditor Organizational Chart



<u>Budgeted Positions FY08-09 (as of 4/30/09)</u>	
Commission Auditor	1
Audit Staff	10
Budget Staff	10
Legislative Staff	8
<u>Support Staff</u>	<u>3</u>
Total	32

1.3 **General Administration**

1.3.1 Time and Attendance

Normal working hours are 9:00 a.m. to 5:00 p.m. or as otherwise approved by the Commission Auditor. Time and attendance recording for payroll purposes will be accomplished in accordance with County policy.

All OCA staff members are job basis, exempt employees of the Miami-Dade County Board of County Commissioners. After-hours work, including evenings and weekends, is sometimes required. During and after emergencies, OCA staff may be recalled to assist with the County's disaster relief and recovery operations at various locations even when County offices are otherwise closed for business.

OCA staff members are required to complete a weekly timesheet. All OCA work hours, whether in or out of the office, shall be reported and accounted for, including leave time. The timesheet will be submitted to the employee's supervisor for approval on the Monday following the end of the biweekly reporting period

1.3.2 Leave

Leave administration shall be in accordance with the County Leave Manual. Leave requests will be initialed by the requesting staff member's supervisor(s), thereby indicating concurrence, and must be approved by the Commission Auditor. Annual leave will normally be requested well in advance, particularly if for more than a few days. Exceptions to the advance approval requirement will be considered for extenuating circumstances but will be limited, and will be subject to workload considerations and Commission Auditor's approval. Non-refundable travel reservations should not be made until after first obtaining approval for any required leave. Documentation may be required to justify sick leave and categories of leave other than annual, birthday, floating, and holiday leave. Administrative leave must also be approved in advance by the Commission Auditor.

As noted in the Time and Attendance section above and in OCA job descriptions, all OCA staff members are job basis, exempt employees of the Miami-Dade County Board of County Commissioners. Being job basis means we put in the time necessary to get the job done. After-hours work, including evenings and weekends, is to be expected. However, offsetting administrative leave or compensatory time off (comp time) is not an entitlement or a right. Nevertheless, OCA recognizes that staff members sometimes work a significant number of extra hours, and the OCA audit manager, budget manager and chief legislative analyst are delegated the authority to use flexible work hours to adjust, when workloads and job performance permit. The granting of administrative leave or comp time is

Office of the Commission Auditor
Policies & Procedures
Section 1 – General Policies & Procedures

subject to approval by the Commission Auditor, and any request to use such time must be approved by the Commission Auditor before the time is taken.

1.3.3 Disciplinary Action

It is the responsibility of all supervisors to maintain standards of employee conduct in accordance with the Personnel Rules of Metropolitan Dade County, and any stated rules, policies and procedures of the Office of the Commission Auditor. As exempt employees of the Board of County Commissioners, an OCA employee may be reprimanded, suspended, reduced in grade or dismissed by the Commission Auditor.

1.3.4 Outside Employment & Gratuities

County policy requires approval from the Commission Auditor for outside employment, including self-employment, prior to engaging in outside employment. Avoidance of perception of conflict of interest or other impairment of independence is paramount in obtaining the Commission Auditor's approval for outside employment. These approvals will be renewed on an annual basis. Copies of outside employment approvals shall be maintained in the centralized personnel files of the Human Resources Department (HR) and the OCA administrative files.

No OCA employee shall accept any tip or gratuity for the discharge of his/her public duties.

1.3.5 Procurement

All procurement activities shall be processed through OCA support staff and require approval of the Commission Auditor.

1.3.6 Performance Evaluation

Formal performance evaluations will be provided each OCA staff member at least annually. It is policy of OCA that less than satisfactory performance and necessary corrective actions or improvements be discussed on a timely basis and should not be a surprise in a performance evaluation.

Constructive, informal, one-on-one 360-degree feedback and dialog are strongly encouraged as ongoing quality enhancement and team building tools.

1.3.7 Recruitment

Recruitment actions are to be done in accordance with County personnel practices as adapted for the Board of County Commissioners (AO# 7-21). Recruitments

are processed through OCA support staff and require approval of the Commission Auditor. In preparation of recruitments and in selection processes, due consideration will be given to the necessary skills, education, experience, and available opportunities for professional development that ensure that OCA staff collectively possess adequate professional competence for the tasks required.

1.3.8 County Property

Property records shall be maintained in accordance with County policy.

Each staff member is individually responsible for any County property in their possession and shall provide reasonable security of any County property that they may remove from the office.

County property shall be used only for County-related work purposes. County property shall not be used for outside employment.

Upon termination of employment with OCA, all County-owned property, including but not limited to keys, computers, cellular phones, flash drives, portable hard drives, and transit passes, shall be returned to OCA Support Staff before departing OCA. Disposition of public records and other documents in the departing person's possession, including computer files, will be as directed by the appropriate OCA supervisor/manager, and the directed disposition shall be accomplished before departure from OCA.

1.3.9 Information Technology

OCA staff members are entrusted with a variety of expensive, and sometimes sensitive, information technology equipment, software, data, email and internet access. It is each OCA staff member's responsibility to safeguard and use the resources responsibly, to report needed maintenance, and to return it when OCA employment ends or earlier on request. Loss or damage must be promptly reported to supervisors and the Commission Auditor. These resources are provided for use in work-related purposes in accordance with County and OCA policies including, but not limited to, A.O. 6-7, "Access to and Use of Internet Services and Electronic Mail."

County-owned information technology resources shall not be used for outside employment. With Commission Auditor's approval, county computers may be used for educational and ongoing professional development, such as doing homework or CIA/CPA certification exam studies, provided it is done on personal time, not during working hours. Use for educational courses is limited to courses that are eligible for participation in the County's tuition reimbursement program.

1.3.10 Safety

Ensuring the safety of employees, the public and County resources is paramount. Maintaining a safe, healthy work environment is everyone's responsibility. The Miami-Dade County Safety Manual shall be used as a guide.

1.3.11 Personal Telephone Calls

To maintain productivity and professionalism, personal phone calls shall be kept at a minimum in both quantity and duration.

1.4 **Ethics**

Management sets the tone for ethical behavior throughout the organization by maintaining an ethical culture, clearly communicating acceptable behavior and expectations to each employee, and creating an environment that reinforces and encourages ethical behavior throughout all levels of the organization. The ethical tone maintained and demonstrated by management and staff is an essential element of a positive ethical environment.

OCA is, at its core, an "audit organization" even though many OCA staff members are not auditors. Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors who conduct their work in accordance with generally accepted government accounting standards (GAGAS) to follow ethical principles. GAGAS are published by the Comptroller General of the United States in the United States Government Accountability Office publication, *Government Auditing Standards* (GAS).

1.4.1 Ethics Requirements for All OCA Staff

The ethics principles of public interest, integrity, objectivity, professional behavior, and proper use of government information, resources and position (GAS Chapter 2) apply in general to all OCA staff, including non-auditors.

Each OCA staff member is required to adhere to applicable provision of laws and policies that apply to employees of the Board of County Commissions including, but not limited to, the:

- a. *Code of Ethics for Public Officers and Employees* (Florida Statutes, Chapter 112, Part III);
- b. *Citizens' Bill of Rights* (Miami-Dade County Home Rule Charter);
- c. *Miami-Dade County Conflict of Interest and Code of Ethics Ordinance*, (Code, Section 2-11.1); and
- d. *Protection of Employees Disclosing Specified Information* (Code, Section 2-56.28).

Each OCA staff member must also comply with the ethics requirements of his/her professional licensure if such licensure is a job requirement, is used to justify a pay supplement, and/or is used in OCA business cards, nameplates, email or other work products.

1.4.2 Additional Ethics Requirements for Auditors

OCA auditors must comply with both the ethics requirements of GAGAS and the Code of Ethics of the Institute of Internal Auditors (IIA). See Section 2, Audit Policies and Procedures, for details.

1.5 **Code of Professional Conduct**

1.5.1 Annual Statement of Independence

OCA's work products are intended to add value to the BCC's considerations of policies, practices and operations of Miami-Dade County and shall be based on facts, evidence and analysis, without interference or undue influence by outside elements. Independence permits employees to render the impartial and unbiased judgments essential to the proper conduct of audits, analyses, and other non-audit services. To enable proactively addressing and avoiding potential impairments to independence, each professional OCA staff member shall annually provide an Annual Statement of Independence form listing any known impairments to independence, which shall then be reviewed and approved by the Commission Auditor and maintained by OCA Support Staff in OCA's personnel folder.

The Statement of Independence shall be filed in OCA personnel files.

1.5.2 Conflict of Interest

OCA staff shall be neither advocates nor adversaries of any special interest. At no time should OCA staff allow personal views or situations to impair their judgment and depth of reporting. Any official, professional, personal or financial relationships that might affect the staff member's objectivity or limit the extent of the analysis or the disclosure of findings shall be indicated to the Commission Auditor prior to the beginning of an assignment.

1.5.3 Integrity and Objectivity

OCA staff shall not knowingly misrepresent the facts. To demonstrate OCA staff integrity, it is imperative that work assignments be adequately planned and that sufficient research and analysis take place to reasonably support findings, conclusions, and recommendations.

1.5.4 Confidentiality

No legally protected/confidential information obtained in the conduct of work assignments shall be disclosed to others except as authorized by law. See Section 1.7 for additional information.

1.5.5 Demeanor

OCA staff shall project a professional image in their appearance and shall display a demeanor that reflects positively on the image of the Office of the Commission Auditor and Miami-Dade County. The standard dress code for the department is business professional, which is appropriate for attending a professional meeting with management. Medically necessary modifications and disability accommodations are authorized. The Commission Auditor will identify business casual days and will approve other exceptions as may be appropriate.

1.5.6 Employees Arrested On or Off Duty

Any OCA employee who is arrested on duty or off duty shall within a reasonable amount of time, not to exceed three (3) calendar days, notify the Commission Auditor. Upon notification of the employee's arrest, the Commission Auditor will immediately review the circumstances and take appropriate action, as required. Failure of any OCA employee to notify his/her department of an arrest may result in administrative action up to and including dismissal from County service.

1.5.7 Alcohol & Drug Screening

Employee substance and alcohol abuse can have an adverse impact on Miami-Dade government, the effective delivery of County services, the image of employees and the general health, wealth, and safety of employees and the public. County policy on alcohol and drug screening is provided for in A.O. 7-29. The authority to require that an OCA employee submit to alcohol and drug screening rests with the Commission Auditor.

1.6 **Work Plan and Annual Report**

At the beginning of each fiscal year, OCA is required to submit a one-year work program (Work Plan) to the BCC for approval (Code Sec. 2-478). OCA policy is to prepare the Work Plan in consultation with the members of the BCC committee having oversight responsibility for OCA and to incorporate such other input and risk analyses as is deemed appropriate by the Commission Auditor.

OCA is also required to submit an Annual Report to the BCC within 60 days after the close of the fiscal year. The Annual Report shall indicate audits completed, major

findings, corrective actions taken by the County Manager, and significant findings which have not been fully addressed by the County Manager” (Code Sec. 2-479).

1.7 **Public Records Access**

Except as provided for by law, OCA work products are public records that are available for inspection by and release to the public. To the extent that OCA work products include information required by law to remain confidential or protected, OCA will redact any such information prior to issuance or release of any report, correspondence, recording, email or other document, in any form.

Section 119.0713(2), Florida Statutes, which relates specifically to internal audits prepared for a unit of local government, provides the following exemption from public record requirements until audit reports become final.

"The audit report of an internal auditor prepared for or on behalf of a unit of local government becomes a public record when the audit becomes final. As used in this subsection, the term 'unit of local government' means a county, municipality, special district, local agency, authority, consolidated city-county government, or any other local governmental body or public body corporate or politic authorized or created by general or special law. An audit becomes final when the audit report is presented to the unit of local government. Audit work papers and notes related to such audit report are confidential and exempt from s. 119.07(1) and s. 24(a), Art. I of the State Constitution until the audit is completed and the audit report becomes final."

Section 119.07(6), Florida Statutes, provides as follows for internal auditors' access, upon written request, to information that is otherwise exempted from public release by general or special public law.

"An exemption contained in this chapter [Chapter 119, F.S.] or in any other general or special law shall not limit the access of ... any state, county, municipal, university, board of community college, school district, or special district internal auditor to public records when such person states in writing that such records are needed for a properly authorized audit, examination, or investigation. Such person shall maintain the exempt or confidential status of that public record and shall be subject to the same penalties as the custodian of that record for public disclosure of such record."

1.8 **Electronic Document Archive**

An electronic copy of each officially issued OCA report to the Board of County Commissioners or a committee thereof shall be maintained in the OCA electronic archive. This requirement does not pertain to responses to individual commissioner's

requests for background information or data provided the requests and responses are informal in nature.

1.9 Paperwork Management and Document Retention

Paperwork management and document retention shall be in accordance with applicable County policies and State law. Document retention longer than required by policies and law is to be kept to the minimum necessary to carry out OCA duties.

Section 2 – Audit Policies & Procedures

2.1 Quality Control System (QCS)

2.1.1 Ethical Principles in Government Auditing

Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors who conduct their work in accordance with generally accepted government accounting standards (GAGAS) to follow ethical principles. GAGAS are published by the Comptroller General of the United States in the United States Government Accountability Office publication, Government Auditing Standards (GAS).

Management of the audit organization sets the tone for ethical behavior throughout the organization by maintaining an ethical culture, clearly communicating acceptable behavior and expectations to each employee, and creating an environment that reinforces and encourages ethical behavior throughout all levels of the organization. The ethical tone maintained and demonstrated by management and staff is an essential element of a positive ethical environment.

The ethical principles that guide the work of the auditors who conduct audits in accordance with GAGAS are: public interest; integrity; objectivity; proper use of government information, resources, and position; and professional behavior. (GAS 2.01, 2.04 - 2.15)

2.1.2 Independence

In all matters relating to the audit work, OCA, as an audit organization, and the individual auditor must be free both in fact and appearance from personal, external, and organizational impairments to independence. (GAS 3.02)

(1) Internal Quality Control System

The internal quality control system is to assure compliance with the independence standard. . The system provides policies and procedures to:

- (a) Identify, report, and resolve personal impairments to auditors' independence through submission of annual and project-specific independence statements for consideration, approval and appropriate follow-up by the Audit Manager and/or Commission Auditor; (GAS 3.08)
 - Annual Independence and Ethics Statement form submission to the Commission Auditor allows proactive consideration and resolution of potential impairments to independence; and

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

- Project-specific Statement of Independence submission reconfirms independence for each individual audit and requires review and approval by the Audit Manager.
- (b) The Audit Manager/Supervisor and Commission Auditor are responsible for resolution of personal impairments in a timely manner (GAS 3.09).
- (c) If impairments cannot be resolved, the impairments will be reported to the appropriate parties and in the scope section of the audit report, or OCA will decline or close the audit; (GAS 3.04, 3.06, 3.09)
- (d) Project-specific independence statements and the ability to perform the work and report impartially apply to any person working on an OCA audit, including non-audit OCA staff, internal or external specialists, and contractor personnel; (GAS 3.05)
- (e) Project-specific independence statements are included in the audit workpapers. (GAS 3.06)
- (f) OCA auditors are individually responsible for communicating and promoting understanding of audit policies and procedures concerning independence and impairments. (GAS 3.08)
- (g) The Commission Auditor, Audit Manager, Audit Supervisor, and each project's auditor in charge are responsible for monitoring compliance. (GAS 3.08)
- (h) Disciplinary actions, when necessary, shall be in accordance with Sec. 1.3.3 of this manual. (GAS 3.08)
- (i) It is critical that OCA auditors understand the importance of and comply with independence requirements and the expectation that auditors will always act in the public interest. (GAS 3.08)
- (j) Annual Independence and Ethics Statements are maintained in OCA personnel records and will include documentation of steps taken to identify potential personal independence impairments; project-specific independence statements and documentation of project-specific impairments will be included in audit workpapers. (GAS 3.08)
- (k) If impairment or evidentiary issues are identified after report issuance, auditors shall notify audit management, and the Commission Auditor shall consider the issues, notify appropriate parties, and remove the

report from the OCA website. Additional audit work may be authorized to reissue a revised/updated report.

(2) External Impairments to Independence

OCA, as an audit organization, must be free from external impairments to independence. External impairments may include: (a) limits or modifications on audit scopes, (b) interference with the selection or application of audit procedures or transactions, (c) restrictions on the time allowed to complete an audit, (d) restrictions on access to records or individuals needed to conduct the audit, (e) interference with assignment, appointment, compensation, and promotion of audit personnel, (f) restrictions on resources provided to the audit organization, (g) authority to overrule or influence the auditor's judgment, (h) threat of replacement over a disagreement with contents of an audit report, and (i) influences that jeopardize the auditors' continued employment.

As with internal impairments to independence, the Audit Manager/Supervisor and Commission Auditor are responsible for resolution of external impairments in a timely manner. If impairments cannot be resolved, the impairments will be reported to the appropriate parties and in the scope section of the audit report, or OCA will decline or close the audit. (GAS 3.10-3.11)

(3) Organizational Impairments to Independence

OCA, as an audit organization, must be free from organizational impairments to independence. Organizational impairments to independence result when the audit function is organizationally located within the reporting line of the areas under audit or when the auditor is assigned or takes on responsibilities that affect operations of the area under audit. Organizational independence can be achieved in various ways for external and internal audit organizations. (GAS 3.12-3.14)

- OCA meets the GAS requirements (GAS 3.13-3.14) for presumption of external and internal audit organizational independence because:
 - OCA is in the legislative branch of government whereas the audited entities are in the executive branch or are independent agencies or external/quasigovernmental entities; and
 - The Commission Auditor is directly appointed by, is subject to removal and accountable to, and reports to the Board of County Commissioners, which is a legislative body.
- If a situation arose that did not meet the above criteria for independence, other criteria are also defined in GAS by which OCA may be considered free from organizational impairments, but which

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

may require compliance with certain safeguards and documentation in audit workpapers. The Commission Auditor has responsibility for determination of independence and necessary safeguards in such exceptional circumstances.

(4) Nonaudit Services

(a) OCA, as an audit organization that also provides nonaudit services, must evaluate whether providing the services creates an impairment to independence in fact or appearance with respect to the entities they audit. Considerations include whether policies and procedures and a quality control system address (GAS 3.20, 3.21):

- Consideration of the two overarching independence principles when assessing the impact of performing nonaudit services (GAS 3.22; these are:
 - o *Audit organizations must not provide nonaudit services that involve performing management functions or making management decisions; and*
 - o *Audit organizations must not audit their own work or provide nonaudit services in situations in which the nonaudit services are significant or material to the subject matter of the audits.);*
- Evaluation of ongoing audits, planned audits, requirements for providing audits, and audit service policies (GAS 3.23)
- Reporting impairments to the overarching principles with regard to subsequent audit or attestation engagements (GAS 3.24)
- Determination of the type of nonaudit service and whether it impairs independence (GAS 3.25-3.29, 1.33, 1.34)
- Application of supplemental safeguards, when required. (GAS 3.30)

(b) The Commission Auditor has determined that performance of the duties specified for OCA in the Miami-Dade County Home Rule Charter and in Sections 2-471 through 2-481 of the Code of Miami-Dade County do not create an impairment to independence in fact or appearance because:

- o OCA provides only advisory/informational services and does not perform management functions or make management decisions;
- o OCA does not audit its own work;
- o The vast majority of OCA's nonaudit services are performed by non-audit OCA staff and
- o OCA's annual audit work plan development process, the work plan's annual approval by the Board of County Commissioners, and the authority granted in Code Sec. 2-478(3) for the Commission Auditor to reject project requests

that conflict with performance of the approved work plan, allow the Commission Auditor to: consider whether nonaudit services could potentially be significant or material to the subject matter of OCA audits; and reject project requests that conflict with ongoing or planned audits.

2.1.3 **Professional Judgment**

OCA auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results. (GAS 3.31) Professional judgment includes exercising reasonable care and professional skepticism.

- Professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence.
- Professional skepticism includes a mindset neither in which auditors assume that management is dishonest nor of unquestioned honesty.
- Professional judgment may involve collaboration with other stakeholders, outside experts, and management in the audit organization.
- Using professional judgment is important in determining the required level of understanding of the audit subject matter and related circumstances.
- Auditors should document significant decisions affecting the audit's objectives, scope, and methodology; findings; conclusions; and recommendations resulting from professional judgment. (GAS 3.32-3.38)

2.1.4 **Competence**

Staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. (GAS 3.40)

Audit management (Commission Auditor, audit manager, audit supervisor, senior auditors, and the project auditor in charge) should assess skill needs to consider whether its workforce has the essential skills that match those necessary to fulfill a particular audit mandate or scope of audits to be performed. (GAS 3.41)

Audit management shall consider the special skills and competence needed to maintain a competent workforce in the design and execution of OCA's recruitment, hiring, continuous development, assignment, and evaluation processes. (GAS 3.41)

The staff assigned to conduct an audit or attestation engagement under GAGAS must collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment. (GAS 3.43)

Auditors performing financial audits or attestation engagements should be knowledgeable in the relevant generally accepted accounting principles (GAAP),

AICPA generally accepted auditing standards, AICPA attestation standards, Statements on Auditing Standards (SAS), Statements on Standards for Attestation Engagements (SSAE), and the application of these standards. If Auditors use GAGAS in conjunction with any other standards, they should be knowledgeable and competent in applying those standards.

2.1.5 **Continuing Professional Education (CPE)**

Each auditor performing work under GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. Auditors involved in any amount of planning, directing, or reporting on GAGAS assignments and those auditors who spend 20 percent or more of their time annually to GAGAS assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2 year period) that enhances the auditor's professional proficiency to perform audits or attestation engagements. (GAS 3.46)

Audit management should have quality control procedures to help ensure that auditors meet the continuing education requirements, including documentation of the CPE completed. (GAS 3.48)

- Each OCA auditor is required to prepare and submit to the Commission Auditor, a CPE Tracking Forms for each designated two-year tracking period, using the form provided in the Audit Forms Library.
- CPE Tracking Forms are maintained in OCA personnel files.
- The Audit Manager reviews and coordinates auditor CPE trainings to ensure needed competencies are addressed.

External specialists assisting in performing a GAGAS assignment should be qualified and maintain professional competence in their areas of specialization but are not required to meet the GAGAS CPE requirements. Auditors should assess the professional qualifications of such specialists and document their findings and conclusions. (GAS 3.49)

Auditors are encouraged to continue their professional education and to demonstrate their proficiency by obtaining appropriate professional certifications.

- The County's Tuition Refund Program may be available to assist with the cost of professional education. See Administrative Order 7-4 for details.

Auditors with professional certification must comply with the CPE requirements of their professional certification if such certification is a job requirement, is used to justify a pay supplement, and/or is used in the auditor's OCA business cards, nameplates, email or other work products.

2.1.6 Quality Control and Assurance

As an audit organization performing audits or attestation engagements in accordance with GAGAS, OCA must: (a) establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and (b) have an external peer review at least once every 3 years. (GAS 3.50)

(1) Quality Control Procedures

OCA's quality control policies and procedures are documented in this manual, are incorporated in standard forms and the QCS checklist in OCA's on-line Audit Forms Library) that become part of audit workpapers, and are communicated in internal trainings and one-on-one counseling. OCA compliance with its quality control policies and procedures is documented in audit workpapers and other OCA files to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures.

Policies and procedures in this manual collectively address:

- a. Leadership responsibilities for quality within the audit organization;
- b. Independence, legal, and ethical requirements;
- c. Initiation, acceptance, and continuance of audit and attestation engagements;
- d. Human resources;
- e. Audit and attestation engagement performance, documentation, and reporting; and
- f. Monitoring quality. (GAS 3-52-3.53)

(2) Analysis and Improvement

The audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (GAS 3.54)

- The principal tool for OCA reporting of issues affecting OCA audits is the required Annual Report to the BCC. (Code Sec. 2-479)

(3) External Peer Review

OCA, as an audit organization performing audits and attestation engagements in accordance with GAGAS, must have an external peer review performed by reviewers independent of the audit organization

being reviewed at least once every 3 years. The review should be sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. (GAS 3.55-3.56)

The most recent peer review report will be made publicly available on the OCA website. The overall results and the availability of their external peer review reports will be communicated to the BCC. (GAS 3.61)

When using another audit organization's work in an OCA audit or a nonaudit service by OCA auditors, OCA auditors should request a copy of the other audit organization's latest peer review report and any letter of comment. (GAS 3.63) Other GAS requirements also apply to using the work of others. (GAS 7.41-7.43)

2.2 Audit Standards

Section 2-476 of the Code requires that OCA audits comply with government auditing standards to the extent provided for in the annual work plan. Therefore, generally accepted government auditing standards (GAGAS), published by the Comptroller General of the United States in the current edition of the United States Government Accountability Office publication, *Government Auditing Standards* (GAS), will be used for applicable OCA audits. When GAGAS are applicable, exceptions will be made only with permission of the Commission Auditor and will be documented in workpapers and indicated in the audit report.

As a matter of OCA policy, OCA also observes the Institute of Internal Auditor's (IIA) "International Standards for the Professional Practice of Internal Auditing," published in the IIA Research Foundation publication, *The Professional Practices Framework* (current edition). However, compliance with IIA standards is secondary to compliance with GAGAS when GAGAS apply. Exceptions will be made only with permission of the Commission Auditor.

Professional standards issued by other authoritative bodies may be applied in conjunction with GAS with permission of the Commission Auditor. Adoption of professional standards issued by other authoritative bodies will be documented in workpapers and indicated in the audit report.

The Commission Auditor and each OCA auditor share responsible for determining the standards to apply to each audit. Inconsistencies between standards will be brought to the attention of the Audit Supervisor and/or Audit Manager for resolution with the Commission Auditor.

The Commission Auditor may specify that audit standards, or portions thereof, be applied even when the audit standards are not otherwise required, such as for nonaudit services.

2.2.1 **Fieldwork Standards for Financial Audits and Attestation Engagements**

Financial audits provide an independent assessment of and reasonable assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria. Reporting on financial audits performed in accordance with GAGAS also includes reports on internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes. Financial audits performed under GAGAS include financial statement audits and other related financial audits, which are described in more depth in GAS 1.22.

(1) AICPA Standards

For financial audits (GAS 4.01, 4.02), GAS incorporates the AICPA fieldwork standards and related AICPA Statements on Auditing Standards (SAS).

For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA general standard on criteria and its fieldwork standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE).

- (a) GAS incorporates the following AICPA standards for financial audits and attestation engagements:
- The work is to be adequately planned and assistants, if any, are to be properly supervised. (GAS 4.03, 6.04)
 - A sufficient understanding of internal control is to be obtained to plan financial audits and to determine the nature, timing, and extent of tests to be performed. (GAS 4.03) While not necessarily required under AICPA standards, GAS establishes a similar standard regarding internal controls that are material to the subject matter or assertion in examination-level attestation engagements. (GAS 6.10, 6.11)
 - Sufficient evidence is to be obtained to afford a reasonable basis for the auditor's opinion/conclusion. (GAS 4.03, 6.04)
 - For attestation engagements only, auditors shall perform the engagement only if the subject matter is capable of evaluation against criteria that are suitable and available to users. (GAS 6.03)

- (b) GAGAS establish additional field work standards for financial audits in addition to the requirements contained in the AICPA standards. Auditors should comply with these additional standards when citing GAGAS in their audit reports.

(2) Auditor Communications

Auditors should communicate, in writing, the following information to entity management, those charged with governance, and to individuals contracting for or requesting the engagement:

- The auditor’s understanding of the services to be performed;
- The nature, timing and extent of planned testing;
- The level of assurance to be provided;
- Any potential restrictions on the auditor’s report.
- If an audit/engagement is terminated before it is completed, auditors should document the results of their work up to termination and the reason for termination. Auditors should use professional judgment to determine whether and how to communicate the reason for termination. (GAS 4.05-4.08, 5.38 and 6.06-6.08)
- For financial audits only: In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. (GAS 4.06)

(3) Previous Audits and Attestation Engagements

Auditors should evaluate whether appropriate corrective action has been taken and recommendations implemented to address findings and recommendations from previous audits, attestation engagements, and other studies directly related to the objectives of the audit. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current work. (GAS 4.09, 6.09)

(4) Materiality

Under both AICPA standards and GAGAS, the auditors’ responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles, while other matters are not important. In performing the audit, matters that, either individually or in the aggregate, could be material to the financial statements are a primary consideration. Additional considerations may

apply to GAGAS financial audits of government entities or entities that receive government awards. For example, in audits performed in accordance with GAGAS, auditors may find it appropriate to use lower materiality levels as compared with the materiality levels used in non-GAGAS audits because of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs. (GAS 4.26)

(5) Fraud, Illegal Acts, Violations and Abuse

(a) If the Commission Auditor determines that there is serious concern regarding fraud, abuse or illegality, the Commission Auditor shall refer the matter to the Office of the Inspector General (OIG). This determination and the decision to refer it to the OIG is the Commission Auditor's responsibility. Auditors' responsibilities are to report the evidence encountered to audit management, to the Commission Auditor for consideration, and as otherwise may be required by law and professional ethics. (Code Sec. 2-478)

(b) Auditors also have the following responsibilities under GAGAS relating to fraud, illegal acts, and violations of provisions of contracts or grant agreements in financial audits and attestation engagements.

- For financial audits only: Auditors should design audits to provide reasonable assurance of detecting material misstatements of financial statement amounts or other financial data significant to the audit objectives resulting from violations of provisions of contracts or grant agreements, errors, fraud, or illegal acts. If information comes to the auditors' attention concerning the existence of possible acts that could have a material indirect effect on the financial statements, the auditors should apply procedures specifically directed to ascertain whether such acts have occurred and the effect on the financial statements as well as implications for other aspects of the audit. (GAS 4.10, 4.11, 4.26-4.28)
- For examination-level attestation engagements, auditors are responsible for designing the engagement to provide reasonable assurance of detecting fraud, illegal acts, and violations of contract or grant agreement provisions that could have a material effect on the subject matter of the engagement. (GAS 6.13a, 6.13c)
- For review-level and agreed-upon-procedure-level attestation engagements, auditors should be alert for indications of fraud, illegal acts or violations of contract or grant provisions. If such indications exist that could materially affect the subject matter of the engagement, auditors should apply procedures to ascertain whether fraud, illegal acts or violations of contract or grant

provisions has occurred and the effect on the engagement. Because the scope of these types of engagements is limited, auditors are not expected to provide reasonable assurance of detecting fraud, illegal acts or violations of contract or grant agreement provisions. (GAS 6.13b)

- Auditors should be alert for indications of abuse. If indications of abuse exist that could significantly affect the audit/engagement, auditors should apply procedures to ascertain whether abuse has occurred and the effect on the audit/engagement. Because the determination of abuse is subjective, auditors are not expected to provide reasonable assurance of detecting abuse. (GAS 4.12, 4.13, 6.14)
- Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both. (GAS 4.29, 5.17, 6.29)

(6) Elements of a Finding

Audit findings may involve deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse. Auditors should plan and perform procedures to develop the elements of findings that are relevant and necessary to achieve the audit objectives. The elements of an audit finding are: (GAS 4.14 – 4.18, 6.15-6.19)

- Criteria,
- Condition,
- Cause, and
- Effect or potential effect.

(7) Documentation

- (a) For financial audits: Audit documentation must contain sufficient detail to provide a clear understanding of the work performed, evidence obtained and its source, and the conclusions reached to enable an experienced auditor who has had no previous connection with the audit to understand:
- The nature, timing, and extent of auditing procedures performed;
 - Results of procedures performed and evidence obtained;
 - Conclusions reached on significant matters;
 - That the accounting records agree/reconcile with the audited financial statements or other audited information;
 - Evidence of supervisory reviews, before the auditor’s report is issued, of work performed that supports findings, conclusions and

recommendations included in the report, documentation addressing the departure from the GAGAS requirements and the impact on the audit and auditors' conclusions. (GAS 4.19 – 4.22)

- (b) For attestation engagements: Auditors should prepare attest documentation in sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of procedures performed, the evidence obtained, the sources of evidence, and the conclusions reached. In addition to other documentation requirements explicitly addressed in GAS and AICPA standards, auditors should document the following:
- The objectives, scope and methodology of the audit/engagement;
 - The work performed to support significant judgments and conclusions, including descriptions of transactions and records examined;
 - Evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report; {Clarification: As with all quality controls established by an audit organization, the nature and extent of the review of audit work may vary depending on a number of factors. See GAS 3.51-3.52.}
 - The auditor's consideration that planned procedures are designed to achieve objectives when evidential matter obtained is highly dependent on computerized information systems and is material to the objective, and the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.
- (c) Audit organizations should establish policies and procedures for: (GAS 4.22 – 4.24, 6.24-6.26)
- Record retention, whether documentation is in paper, electronic, or other media, is described in Sec. 1.8-1.9 of this manual.
 - Handling requests by outside parties to obtain access to audit documentation is described in Sec. 1.7 of this manual.

2.2.2 **Reporting Standards for Financial Audits and Attestation Engagements**

(1) **AICPA Standards**

For financial audits (GAS 5.01, 5.02), GAS incorporates the AICPA reporting standards and related AICPA Statements on Auditing Standards (SAS). For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA reporting standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE). Some of these AICPA standards are presented in GAS. Consideration should be given to all

applicable AICPA standards in completing quality control reviews using this guide.

- (a) The four AICPA reporting standards for financial audits are as follows: (GAS 5.03)
- The report must state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).
 - The report must identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
 - The report must state when informative disclosures are not reasonably adequate.
 - The report must either contain an expression of opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated in the report. In all cases where an auditor's name is associated with financial statements, the report should clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report.
- (b) The four AICPA reporting standards for all levels of attestation engagements are as follows (GAS 6.30, 6.31):
- The report must identify the subject matter or the assertion being reported on and state the character of the engagement.
 - The report must state the auditor's conclusions about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.
 - The report must state all of the auditor's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto.
 - The report must state that the use of the report is restricted to specified parties under the following circumstances: (1) when the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria, (2) when the criteria used to evaluate the subject matter are available only to specified parties, (3) when reporting on subject matter and a written assertion has not been provided by the responsible party, and (4) when the report is on an attest engagement to apply agreed-upon procedures to the subject matter.

(2) Reporting Auditor’s Compliance with GAS

Reports should state that the audit or attestation engagement was performed in accordance with GAS. Auditors may also cite AICPA standards in addition to citing GAS. Auditors should disclose which applicable standards are not followed, why, and how it affected or could have affected the results of the audit/engagement. (GAS 1.12, 1.13, 5.05, 5.06, 6.32)

(3) Reporting on Internal Control and Compliance

For financial audits only: When providing an opinion or a disclaimer on financial statements, auditors must also report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. To form a basis for expressing an opinion, the auditor must plan and perform the examination to obtain reasonable assurance about whether the entity maintained, in all material respects, effective internal control as of a point in time or for a specified period. (GAS 5.07-5.09)

(a) Auditors should include a description of the scope of the auditors’ testing of internal controls. Auditors should state in the reports whether tests they performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance.

(b) If separate report(s) are issued the auditor should:

- Include a reference to the separate reports in the report on financial statements;
- State in the financial statement audit report that they are issuing those additional reports;
- State that the reports on internal control over financial reporting and compliance are an integral part of a GAS audit and important for assessing the results of the audit.

(c) If auditors issued or intend to issue a management letter, they should refer to the management letter in the reports.

(4) Reporting Deficiencies in Internal Control, Fraud, Illegal Acts, Violations, and Abuse

(a) If the Commission Auditor determines that there is serious concern regarding fraud, abuse or illegality, the Commission Auditor shall refer the matter to the Office of the Inspector General (OIG). This determination and the decision to refer it to the OIG is the Commission

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

Auditor's responsibility. Auditors' responsibilities are to report the evidence encountered to audit management, to the Commission Auditor for consideration, and as otherwise may be required by law and professional ethics. (Code Sec. 2-478)

- (b) For financial audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, and for attestation engagements, auditors should report, as applicable to the objectives of the audit/engagement, and based upon the audit work performed:
 - Significant deficiencies in internal control, identifying those considered to be material weaknesses
 - All instances of fraud and illegal acts unless inconsequential
 - Violations of provisions of contract or grant agreements and abuse that could have a material effect on the financial statements. (GAS 5.10, 5.11, 6.33, 6.34)

- (c) Auditors should include all significant deficiencies in the auditor's report on internal control and indicate those that represent material weaknesses. If the auditors obtain sufficient evidence supporting the remediation of a significant deficiency prior to the issuance of the audit report, the auditors should report the significant deficiency and its remediation. (GAS 5.13)

- (d) Auditors should document communication to officials of the audited entity internal controls deficiencies that have an inconsequential effect on the financial statements. (GAS 5.14, 6.35)

- (e) Auditors have reporting responsibilities for fraud, illegal acts and violations. Auditors have responsibility for detecting fraud and illegal acts that have a material effect on the financial statements and informing those charged with governance. The auditors should include in their audit report relevant information about
 - Fraud and illegal acts that have more than inconsequential effect on the financial statements;
 - Violations of provisions of contracts or grant agreements that have a material effect on the determination of financial statements amounts significant to the audit; and
 - Abuse that is material. (GAS 5.15)

- (f) When violations of provisions of contracts or grant agreements or abuse are less than material but more than inconsequential the auditors should communicate those findings to the Commission Auditor who will communicate those findings in writing to officials of the audited entity. Auditors should document communication to officials of the

- (g) In two circumstances, auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity. (GAS 5.18, 6.39)
 - When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report to those charged with governance. If reporting still does not occur, then auditors should report the information directly to the specified external parties.
 - When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations or abuse that are likely to have a material effect on the financial statements and involves funding from a government agency, auditors should first communicate managements' failure to take timely and appropriate steps to those charged with governance. If timely and appropriate steps are not taken, then auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency.
- (h) The auditors should comply with these requirements even if they have resigned or been dismissed from the audit prior to its completion. (GAS 5.19, 6.40) Auditors should obtain sufficient, appropriate evidence such as confirmation from outside parties, to corroborate assertions by management or the entity that the reporting has been made (GAS 5.20, 6.41).
- (i) Presentation of findings should develop the elements of the findings to the extent necessary to achieve the audit objectives. (GAS 5.21, 6.42) Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of work performed. The findings should be related to the population or number of cases examined or other measures as appropriate. If results cannot be projected, the auditors' conclusions should be appropriately limited. (GAS 5.22, 6.43)

(5) Restatement of Previously Issued Financial Statements

Following AICPA standard AU 561, Discovery of Facts existing at the Date of the Auditor's Report, if auditors become aware of new information that might have affected their opinion on previously issued financial statement(s), then the auditors should advise management to

determine the potential effect(s) of the new information on the previously issued financial statement(s) as soon as reasonably possible (GAS 5.26). If there are any material misstatements requiring restatement and reissue of the statements, the auditors should advise management to make appropriate disclosure of the new information and their impact on the financial statements to those who are likely to rely on the financial statements.

- (a) In addition for GAS, auditors should advise management to make appropriate disclosures when the auditors believe:
 - It is likely that previously issued financial statements are misstated, and
 - The misstatement is or reasonably could be material. (GAS 5.27)
- (b) Auditors should evaluate the timeliness and appropriateness of management’s disclosure and management’s actions to determine and correct the misstatement. (GAS 5.28)
- (c) When financial statements are restated by management, the auditors should perform audit procedures sufficient to release or update the auditors’ report on the restated financial statements regardless of whether the restated financial statements are separately issued or presented on a comparative basis with those of a subsequent period. Auditors should include in their explanatory paragraph additional language regarding the restatement (GAS 5.29).
- (d) If management fails to include appropriate disclosures, the auditors should include the omitted disclosures in the auditors’ report, if practicable. (GAS 5.30)
- (e) Auditors should notify those charged with governance if management does not act in an appropriate timeframe or does not adequately restate the financial statements. Auditors should inform those charged with governance that the auditors will take steps to prevent further reliance on the auditors’ report if the governing body fails to notify oversight bodies and funding agencies that rely on the financial statements. (GAS 5.31)

(6) Views of Responsible Officials

If the auditors’ report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. (GAS 5.32-5.38, 6.44-6.50)

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

- (a) Auditors should include in their report a copy of the officials' written comments or a summary. Auditors should include a summary of any oral comments received once they are reviewed for accuracy by the responsible officials. (GAS 5.34, 6.46)
- (b) Auditors should include in the report an evaluation of the comments, as appropriate. (GAS 5.35, 6.47)
- (c) Auditors should state their reasons for disagreeing with comments or planned corrective actions of the audited entity. (GAS 5.37)
- (d) If the officials refuse to provide comments or are unable to provide comments in a reasonable timeframe, the auditors should indicate in the report that the audited entity did not provide comments. (GAS 5.38)

(7) Privileged and Confidential Information

If certain pertinent information is prohibited from public disclosure or excluded from the report due to confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstance that makes the omission necessary. Auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices. Audit organizations subject to public records laws should determine whether these laws could impact the availability of classified or limited use reports and affect how they might communicate results. (GAS 5.39-5.43, 6.51-6.55)

See Section 1.7 of this manual and Chapter 119, Florida Statutes for additional guidance.

(8) Report Issuance and Distribution

Auditors should document any limitation on report distribution. Government auditors should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies. As appropriate, auditors should also distribute copies of the report to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. (GAS 5.44, 6.56)

- (a) Internal audit organizations communicate results to the parties who can ensure that the results are given due consideration. Prior to release to parties outside of the organization, the auditors should assess the potential risk to the organization, consult with senior management and/or legal counsel, and control dissemination. Nevertheless, under Florida law, audit reports and all other audit documentation become public record when the final report is issued. See Section 1.7 of this manual and Chapter 119, Florida Statutes for additional guidance.
- (b) Public accounting firms contracted to perform an audit under GAS should clarify report distribution responsibilities with the organization. If the audit firm is to distribute reports, they should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and steps to make the report available to the public.
- (c) As a minimum, standard distribution of OCA audit reports includes:
 - The department/agency director(s) of the audited entity/entities;
 - Mayor;
 - Chairperson and Members of the Board of County Commissioners;
 - County Manager;
 - County Attorney;
 - Inspector General;
 - Director, Audit and Management Services Department; and
 - Electronic copies posted to OCA document archive and website

2.2.3 **Fieldwork Standards for Performance Audits**

(1) **Planning**

Auditors must plan and document audit work necessary to define the audit objectives, scope and methodology such that their work will provide reasonable assurance that sufficient, appropriate evidence will support their conclusions. The concepts of reasonable assurance, significance and audit risk provide a framework for applying the performance audit fieldwork standards. In this context, significance means relative importance and audit risk means the possibility that conclusions are inaccurate or incomplete due to inadequate evidence, misrepresentation or fraud, or failure to detect mistakes, inconsistencies or significant errors. Auditors exercise professional judgment in applying these concepts. Auditors should assess significance and audit risk when defining the audit objectives and scope. Auditors should use the information gained in planning to assess significance and audit risks and design audit methodology to reduce audit risk while meeting the audit objectives. (GAS 7.06-7.10)

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

- (a) To the extent relevant to the audit objectives, auditors should assess significance and audit risk by gaining an understanding of the:
 - Nature of the program and needs of potential users (GAS 7.11a; 7.13);
 - Design and implementation of internal controls (GAS 7.11b; 7.16);
 - Design and implementation of information system controls (GAS 7.11c; 7.24; 7.27);
 - Legal and regulatory requirements, contract provisions and/or grant agreements (GAS 7.11d; 7.28);
 - Potential for fraud and abuse (GAS 7.11d; 7.30); and
 - Results of previous audits (GAS 7.11e; 7.36)
- (b) To the extent relevant to the audit objectives, auditors should identify potential criteria and sources of evidence and evaluate whether to use the work of other auditors or experts. (GAS 7.12 a-c; 7.37; 7.39; 7.41)
- (c) Based on assessment of the information gained, auditors should determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. When auditors conclude that sufficient, appropriate evidence is not available, auditors should evaluate whether internal control or other program weaknesses are the cause. (GAS 7.40)
- (d) Auditors should extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred. If the potential fraud is not significant to the audit objectives, auditors may conduct additional work as a separate engagement or refer the matter to other parties with oversight responsibility. Do not interfere with legal proceedings or investigations. (GAS 7.32; 7.34-35)
- (e) Audit management should assign a sufficient number of appropriately skilled staff with competence to perform the audit, including staff and supervisors, providing for on-the-job training of staff, and engaging specialists when necessary (GAS 7.12d; 7.44-45)
- (f) Auditors should communicate an overview of the objectives, scope and methodology, and timing of the performance audit to management of the audited entity, those charged with governance, and requestors as applicable. Auditors should document the communication and any process used to identify those who should receive communications. If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (GAS 7.12e; 7.46-49)

(g) Auditors must prepare a written audit plan for each audit. Auditors should update the plan as necessary. (GAS 7.12f; 7.50)

(2) Supervision

Audit supervisors must properly supervise audit staff. Elements of supervision include directing and guiding staff members in conducting work and following standards, staying informed about significant problems encountered, reviewing the work performed before the audit report is issued, and providing effective on-the-job training. The nature and extent of the review of audit work may vary depending on a number of factors. Reviews of audit work should be documented. (GAS 7.52-7.80c)

(3) Evidence

Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. Sufficiency refers to the amount of evidence gathered and presented. Appropriateness refers to the quality of evidence including its relevance to the audit objectives, reliability and validity. Auditors should evaluate whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions. Auditors should document their assessment. The specific steps to assess evidence will depend on the nature of the evidence, how it is used in the audit and the audit objectives. When auditors identify limitations or uncertainties in evidence that is significant to the audit findings and conclusions, auditors should apply additional procedures to strengthen the evidence, redefine the audit objectives or scope to eliminate the need to use the evidence, or revise the findings and conclusions such that supporting evidence is sufficient and appropriate. (GAS 7.55-57; 7.68; 7.70-71)

(4) Documentation

(a) Auditors must prepare audit documentation related to planning, conducting and reporting for each audit before issuing the report. Documentation should provide enough detail for an experienced auditor to understand the nature, timing, extent and results of work; evidence obtained; sources of evidence; and auditors' conclusions and significant judgments including:

- Objectives, scope, methodology of audit;
- work performed to support significant judgments and conclusions including descriptions of transactions and records examined;

- evidence of supervisory review; and
 - support for findings, conclusions and recommendations (GAS 7.77-7.80)
- (b) Auditors should document departures from GAS requirements and the impact on the audit and auditors' conclusions (GAS 7.81)
- (c) Audit organizations should establish policies and procedures for safe custody, retention, retrieval and sharing of audit documentation to satisfy legal, regulatory and administrative requirements. For audit documentation that is retained electronically, the organization should establish information systems controls concerning accessing and updating documents. The audit organization should make documentation available to other auditors or reviewers upon request, subject to applicable laws and regulations. The audit organization should develop policies to deal with requests from outside parties for access to audit documentation. (GAS 7.82-84)

2.2.4 **Reporting Standards for Performance Audits**

(1) Reporting

Auditors must issue audit reports communicating the results of each completed performance audit. Auditors should use a form of the audit report that is appropriate for its intended use and is in writing or in some other retrievable form. When audit organizations are subject to public records laws, auditors should determine whether those laws could impact the availability of certain reports (see GAS 8.42). The purposes of audit reports are (1) to communicate the results of audits to the appropriate officials; (2) make results less susceptible to misunderstanding; (3) make results available to the public, except when certain information may be classified or otherwise prohibited from general disclosure (see GAS 8.39); and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken. (GAS 8.03-8.05)

If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (GAS 8.06)

(2) Report Contents

Auditors should prepare audit reports that clearly describe in an unbiased manner (1) the objectives, scope (including limitations and constraints), and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

the auditors' compliance with GAGAS; (4) a summary of the views of responsible officials; and (5) if applicable, the nature of any confidential or sensitive information omitted. (GAS 8.08-8.13)

- (a) In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. Auditors should describe in their report limitations or uncertainties with the reliability or validity of evidence, should place their findings in perspective, should disclose significant facts relevant to the objectives of their work, and should report deficiencies in internal control that are significant within the context of the objectives of the audit. (GAS 8.08, 8.14-8.18)
- (b) If after the report is issued, auditors discover that they did not have sufficient, appropriate evidence, they should communicate this information to appropriate officials, remove the report from any publicly accessible website, and determine whether to conduct additional audit work necessary to reissue the report with revised findings or conclusions. (GAS 8.07)
- (c) Auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. Auditors should document and refer to any written communication regarding internal control deficiencies in the audit report if such communication is separate from the audit report. (GAS 8.19 - 8.20)
- (d) When auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should report the matter as a finding. (GAS 8.21-8.23)
- (e) Auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside the audited entity when, (1) the entity fails to satisfy legal or regulatory requirements to report such information to external parties, and/or (2) when entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse. (GAS 8.24-8.26)
- (f) Auditors should report conclusions, as applicable, based on the audit objectives and the audit findings. Report conclusions are logical

inferences about the program based on the auditors' findings, not merely a summary of the findings. (GAS 8.27)

- (g) Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations the flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended. (GAS 8.28 – 8.29)
- (h) When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the audit report to indicate that they performed the audit in accordance with GAGAS. See GAS 1.12 and 1.13. (GAS 8.30)

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

- (i) When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report. For performance audits, auditors should use a statement that includes either (1) the full compliance language listed above, modified to indicate the standards that were not followed or (2) language that the auditor did not follow GAGAS. See GAS 1.12 and 1.13 for additional standards on citing compliance with GAGAS. (GAS 8.08, 8.30 – 8.31)
- (j) Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take. Obtaining the comments in writing is preferred, but oral comments are acceptable. Auditors should include in their report a copy of any written comments from responsible officials or a summary of the written or oral comments.

Where appropriate, auditors should include an evaluation of the comments, and if auditors disagree with the comments, they should explain their reasons. Conversely, auditors should modify their report if they find the comments valid and supported with sufficient, appropriate evidence. (GAS 8.08, 8.32-8.37)

- (k) If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary. When certain information may be classified or otherwise prohibited from general disclosure by federal, state, or local laws or regulations, auditors may issue a separate, classified or limited use report to only authorized persons. Auditors should evaluate whether excluding certain information is appropriate considering the broad public interest in the program or activity under review. Because OCA is subject to public records laws, OCA auditors should, in coordination with audit management, determine whether those laws could impact the availability of certain reports and whether other means of communicating to officials would be more appropriate. (GAS 8.08, 8.38-8.42)

(3) Distributing Reports

- (a) Distribution of reports completed under GAGAS depends on the relationship of the auditors to the audited organization and the nature of the information contained in the report. If the subject of the audit involves material that is protected by law from release as a public record auditors shall redact all protected information from the report. See GAS 8.38 through 8.42 for additional guidance on limited report distribution. Auditors should document any limitation on report distribution.
- (b) If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary. (GAS 8.38) Nevertheless, under Florida law, audit reports and all other audit documentation become public record when the final report is issued. See Section 1.7 of this manual and Chapter 119, Florida Statutes for additional guidance.
- (c) Audit organizations in government entities should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or

organizations requiring or arranging for the audits. Internal audit organizations in government entities should communicate results to parties who can ensure that the results are given due consideration. Public accounting firms contracted to perform an audit under GAGAS should clarify report distribution responsibilities and reach agreement with the contracting organization about which officials will receive the report and the steps being taken to make the report available to the public. (GAS 8.43)

- (d) As a minimum, standard distribution of OCA audit reports includes:
- The department/agency director(s) of the audited entity/entities;
 - Mayor;
 - Chairperson and Members of the Board of County Commissioners;
 - County Manager;
 - County Attorney;
 - Inspector General;
 - Director of Audit and Management Services Department; and
 - Electronic copies posted to OCA document archive and website

2.3 Audit Procedures

2.3.1 Audit Working Papers

Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. Auditors should prepare audit documentation that contains support for findings, conclusions, and recommendations before they issue their report. (GAS 7.77)

Working papers are used to document audit work, results, findings and recommendations of audit projects.

(1) Creating a Working Paper

Standard forms in the Audit Forms Library, [\\S0020097\oca\COMMON\Audit Forms Library](#), are established to help provide reasonable assurance of compliance of the audit with applicable Audit Standards. Standard forms shall be used for applicable work papers during the course of an audit. The forms may be tailored by the auditor to best suit project needs.

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

Other types of workpapers will be created by the auditor or will consist of other documents incorporated as appropriate to best suit project needs and evidentiary requirements.

- (2) Each working paper created shall include the following information:
 - Purpose/heading/source (on the first page);
 - Signature/initials of both the auditor and reviewer;
 - Dates of when working paper was prepared and reviewed;
 - Working paper number and number of pages (if more than 1);
 - Tick mark explanation (if used); and
 - References to other working papers as needed.
- (3) All working paper numbers shall follow the numbering convention of Audit Program.
- (4) At the completion of each phase of the audit, working papers shall be reviewed by auditor in charge and subsequently submitted to audit supervisor for review and signature/initials.
- (5) The working paper number and page numbers shall be placed at the bottom of the page. Tick mark explanation (if used) shall be placed together in a visible position on the working paper. Any references to other working papers shall be placed beside what it relates to. Remember to put the source, date of receipt, and purpose on the first page of each working paper you include in the working paper file.
- (6) If the incorporated working paper is less than five (5) pages, the auditor shall include all the steps from the prior paragraph on all pages.
- (7) If the incorporated working paper is more than five (5) pages, the auditor shall include all the steps from the prior paragraph on the first page only and put the working paper number and consecutive page numbers on the rest of the pages.

2.3.2 **Starting The Audit**

The steps listed below shall be followed when assigned an audit:

- (1) Get a hard backed binder with pockets.
- (2) Create an electronic folder to store your audit files.
- (3) Auditors must plan the audit in accordance with GAGAS Audit Standards (including Sec. 2.1-2.2 of this manual) to reduce audit risk to an appropriate level for the auditors to provide reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions.

This determination is a matter of collective professional judgment by the auditor in charge and audit management, with the Commission Auditor making the final determination. In planning the audit, auditors should assess significance and audit risk, and apply these assessments in defining the audit objectives and the scope and methodology to address those objectives. (GAS 7.07)

- (4) Schedule a planning meeting with the Audit Manager/Supervisor to develop the objective, scope, materiality and the engagement letter of the audit. Use the preliminary phase of the Planning Memo format from the Audit Forms Library for documentation. If the area had been previously audited, review the permanent files, including audits from other organizations, for familiarization with unique operation of the unit. Consider best practices and audit programs/experiences from other organizations, when appropriate, and consider audit team skills and opportunities for on-the-job training. Evaluate and discuss new developments that may impact the planned audit and the audited entity. For financial audits and attestation engagements, consider applicable AICPA standards required by GAS or other standards and criteria determined appropriate by audit management.
- (5) It is always wise to create an index. The index is used to maintain a listing of all working papers with their respective working paper numbers that are in the binder(s). The index should be kept up-to-date; however, you do not have to print a copy every time something is added. Use your judgment. The printed copy should be stored in the front side pocket of the binder for easy reference.
- (6) Begin an Interview-Contact Log using the form in the Audit Forms Library to track project activities and to better enable timely, accurate follow-up on information requests for the audit. Save the file to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. The file shall be updated throughout the audit process.

2.3.3. **Risk Analysis**

Risk analysis is a procedure to identify threats and vulnerabilities in the area to be audited. It is the quantitative or qualitative measurement of the potential loss and probability of occurrence of an adverse event in the organization. During the planning stage, the auditor should perform an analysis of the audit risks that impact on the audit customer to detect high-risk areas where audit effort can be concentrated. Audit can thus focus on areas which are likely to generate better assurance instead of sampling and testing of larger but low risk areas. It structures the audit procedures and re-organizes the audit work in terms of risk perception.

2.3.4 **Audit Program**

The audit program shell that is located in the Audit Forms Library is a planning document that outlines the steps to be performed during the audit process. When completed by the auditor, it includes all compliance and substantive test to be performed during the audit. Save the file to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. The file shall be updated throughout the audit process.

2.3.5 **Audit Authorization**

Complete an Audit Authorization form. The audit authorization is formal authorization to begin a project and also results in the assignment of a Project Number. Save the file using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. Items to be determined include the estimated completion date and budgeted hours. Consult with the Audit Manager/Supervisor before completing this form.

After the form is completed and has been reviewed by your supervisor and manager, it shall be submitted to the Commission Auditor for approval and project number assignment. The authorization and any other working papers created shall be placed in the working papers.

2.3.6 **Certificate Of Independence**

Complete a Certificate of Independence. This gives the assurance that all staff members involved in the audit are objective and independent from the subject(s) being audited.

Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. Auditors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work (GAS 3.03)

Save the file to your audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. Before printing the form, enter the Project Name, Number and Date fields in the footer. Print the form and route to all staff members involved in your audit. When all members have completed the form and the Audit Manager has signed the form, place the form in the audit binder.

As other auditors become involved in the audit, they will also acknowledge their independence on this Certificate of Independence.

2.3.7 **Preparing for the Entrance Conference**

The Entrance Conference is conducted to establish contact with the Department staff that will be affected by our audit process. It also serves to promote understanding between the audit team and the audit customer as to the nature, timing and extent of the audit. The audit objective, audit process, and report format is explained at the conference. The audit customer also designates a contact person available for question from the audit team, as necessary. The Department staff may ask questions or discuss their concerns during this meeting.

To prepare for the Entrance Conference, you should follow the steps listed below:

- Determine who should attend the Entrance Conference. The Commission Auditor and the Audit Manager shall always be included as attendees to the entrance conference.
- Draft the Entrance Conference/Engagement Letter. The entrance conference/engagement letter is formal notification to the Department(s) or Division(s) of OCA's intent to begin the audit and to confirm the date and time of the entrance conference. For financial audits only: In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements.
- After the Entrance Conference/Engagement Letter has been approved by the Audit Manager, contact the Support person requesting her/him to set up an entrance conference for this audit. Make sure you provide him/her with a list of all attendees. The Support person should notify you and all participants in Office of the Commission Auditor when an entrance Conference has been scheduled.
- Prepare the Entrance Conference Agenda. The agenda is used by the Commission Auditor to keep the conference discussion on target. Save the file to your audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit.. Consult with your supervisor if you have any questions.
- Attend the Entrance Conference. Be sure to take copies of the agenda to the conference to pass around to attendees. The Commission Auditor will introduce the audit team and discuss the audit objective and scope, the Audit Manager will explain the audit process and the Auditor-in-Charge will discuss the preliminary review and fieldwork. Take notes of the conference including who is attending, from where, and job titles.
- Write the Entrance Conference Summary. The summary should be completed by the end of business on the day of the entrance conference. The longer you

wait, the less you may remember to complete your notes. Save the file to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit.

2.3.8 **Performing the Preliminary Review**

The preliminary review is the research performed to determine what steps could be included in the audit program to achieve the objectives. It helps to identify the risks the audit customer may be exposed to and the potential impact such risks might have on the County. Preliminary reviews are typically completed through narratives, flowcharts, document samples, and internal control questionnaires. Internal Control Questionnaires help evaluate internal controls related to the recording of business transactions, safeguarding County assets, compliance with policies, and promotion of operational efficiency. Below are common areas usually reviewed when performing your preliminary review. This may vary with each project.

Note: Do not underestimate the importance of the preliminary review. It is a primary mechanism for determining what documentation will be needed from the audited entity. Inadequate preliminary review can substantially increase the time necessary to complete an audit and can manifest itself in the need for repeated requests for additional documentation from an audited entity.

- (1) Legal Background Summary – Review and summarize all Federal Rules, State Statutes, Miami-Dade County Code, Resolutions, and Implementing/Administrative Orders that relate to your project. Remember this should help identify issues of concern. Only supporting documentation relating to the audit should be included in your working papers.
- (2) Department Strategic Plan Summary – If necessary, review and summarize the Department/Division's Strategic Plan to identify areas of concern. Number and include in working papers.
- (3) Supporting Documentation – Supporting documentation, such as pages from the Department Strategic Plan or Division Plan, etc., should be referenced or consist of extracts of only the information that is needed. When appropriate, include only extracts of pages of references cited in your summary. Include appropriate attribution for extracts, quotations and references to material from other documents.
- (4) Financial Background Summary – If necessary, review and summarize the financial background information to identify areas of concern. Number and include in working paper.

Supporting documentation, such as pages in the various budget documents/reports, etc., should be referenced. When appropriate, include only extracts from references cited in your summary. Include appropriate attribution for extracts, quotations and references to material from other documents.

- (5) Related Reports Summary – Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives. (GAS 7.36) Review and summarize all available related reports. When incorporating the work of other auditors, request and review a copy of their most recent external peer review/quality assurance review and any applicable management letter.

Supporting documentation, such as pages from internal, state or federal audit reports should be referenced. When appropriate, include only extracts from references cited in your summary. Include appropriate attribution for extracts, quotations and references to material from other documents.

- (6) Department Policies and Procedures Summary – Review and summarize the Department’s Policies and Procedures.

Supporting documentation, such as pages from the related administrative or internal policies and/or procedures should be referenced. When appropriate, include only extracts from references cited in your summary.

- (7) Organization Charts - A copy of each related organization chart shall be included in the working papers, when appropriate. The Human Resources Department is the official keeper of organizational charts for the County. However, the audited entity or the OCA Budget Staff may have additional charts, such as functional or more detailed organization charts, that may be useful.
- (8) Position Descriptions - A copy of each related position description shall be included in the working papers, when appropriate. These positions may either be determined during your preliminary survey or afterwards.
- (9) Other Related Material - Depending on the type of audit being conducted, additional information related to organizational structures, time intervals, inputs/outputs/outcomes, etc. may be collected such as through use of preliminary surveys. Add this information at this point to the audit program. Remember to put the source, date of receipt, and purpose for the documents on the first page of any working paper you include in the working paper file which you have not created.

- (10) Preliminary Interviews - These types of interviews are conducted during the preliminary review phase to gather background information, understand the expectations of affected staff and to establish rapport. Staff to be interviewed should include Department Directors, Division Directors, program managers and staff responsible for day-to-day operations of the process being audited. Before interviewing any staff, develop a list of questions to ask.
- (11) Interview Summary – When you complete an interview, write the interview summary by the end of business on the day of the interview. The longer you wait, the less you may remember to complete your notes. Use the standard form in the Audit Library to summarize these interviews. Save the file to your audit directory using different file name for each interview form you use to distinguish the interviews. Remember to use file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. Also remember to document any concerns that may have come up during the interview.
- (12) Review of Working Papers - All of the above steps shall be completed before you begin the field work phase of your audit. All working papers shall be completed, reviewed, signed and put in the binder. All review notes must be cleared and each page of working papers signed before inclusion in the binder. (Review notes shall also be included in the binder. See the audit program for location of inclusion.) The index and audit program should be updated and current at this point.
- (13) Internal Controls – To the extent relevant to audit objectives, assess significance and audit risk by evaluating and documenting the design and implementation of internal controls, including the information technology environment. See Section 2.2.3(1)(a) of this manual.
- (14) Fraud, Illegal Acts, Violations, and Abuse - To the extent relevant to audit objectives, assess significance and audit risk by evaluating and documenting the potential for fraud, illegal acts, violations and abuse. See Sections 2.2.1(5)(a)-(b) and 2.2.4(2)(d) of this manual. Based on the review of internal controls, if it is determined that the entity has been exposed, the auditor should:
 - Design tests to obtain reasonable assurance that no fraud, illegal acts, violations and abuse have occurred;
 - Bring evidence of fraud, illegal acts, violations and abuse to the attention of audit management and the Commission Auditor; and
 - Document in working papers.

2.3.9 **Conducting Fieldwork**

When the Preliminary Review has been completed, the audit program is refined (as it is continuously through the audit) fieldwork steps are developed and undertaken to accomplish the audit objectives. Substantive tests, which may include physical examinations, financial and statistical analyses, interviews, surveys, sampling, checklists and other methodologies, shall be conducted to achieve audit objectives.

Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions. (GAS 7.55) Information in the report must be supported by documentation...not assumptions or speculation. When auditors conclude that sufficient, appropriate evidence is not available, auditors should evaluate whether internal control or other program weaknesses are the cause. (GAS 7.40)

Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both. If the Commission Auditor determines that there is serious concern regarding fraud, abuse or illegality, the Commission Auditor shall refer the matter to the Office of the Inspector General (OIG). This determination and the decision to refer it to the OIG is the Commission Auditor's responsibility. Auditors' responsibilities are to report the evidence encountered to audit management, to the Commission Auditor for consideration, and as otherwise may be required by law and professional ethics.

- (1) **Physical Examination** – This is an inspection or count by an auditor of tangible assets to determine existence and condition. When appropriate, auditors shall physically inspect tangible assets with inherent value to provide a reasonable basis for their findings and conclusions. Materiality and significance will be considered.
- (2) **Analytical Procedures** – Analytical audit procedures provide internal auditors with efficient and effective means of assessing and evaluating information collected in an engagement. Analytical procedures are performed by comparing information obtained with expectations identified or developed with the premise that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist and continue. Audit analytical software, such as ACL, statistical software, such as SPSS, or other resources may be used in the analyses.
- (3) **Interviews** - If interviews are conducted, the information shall be recorded using an interview summary working paper. A copy of a interview summary is located in the Audit Forms Library. Interviews conducted

with individuals who are not biased and have direct knowledge about the area are generally more reliable than interviews conducted with individuals who are biased or have indirect or partial knowledge about the area. Remember to write interview summaries and save the files to your directory using different file names for each interview form to distinguish between the interviews.

- (4) Surveys - Surveys generally provide self-reported information about existing conditions or programs. Evaluation of survey design and administration assists auditors in evaluating the objectivity, credibility, and reliability of the self-reported information in the survey. (GAS 7.62) Surveys can be conducted at any point during an audit, but usually are used during the preliminary or field work phase. Surveys may include all related staff of the affected audit area or it may include a sample of the staff. The size of the sample to whom the survey will be administered depends on the audit objectives and available time. If survey responses will be used to infer characteristics of a larger population, both the sample and the survey must be carefully designed to provide reliable results. Consult with OCA audit management prior when designing surveys.

Surveys may be conducted by in-person interviews, e-mail or interoffice mail. Again, the type of delivery depends on the audit and staff time. Surveys should be carefully designed to obtain information that will add to the value of the audit. Review prior audit surveys and any books or information that will assist in developing useful survey tools. Before conducting the survey, always test the survey on OCA staff to ensure the survey can be understood and is easy to complete. If e-mail is used, be sure to include instructions in a memo to which the survey is attached.

When surveys are completed, the information should be compiled in either a spreadsheet or database. The size of and/or the number of questions contained in the responses should dictate which software to use. When the information has been compiled, analyzed and reviewed, complete a write-up of the information including conclusions and observations.

- (5) Sampling - When appropriate, population sampling shall be conducted instead of reviewing the entire universe. Before beginning the testing, consult the Audit Manager/Supervisor to determine whether the selection of a statistical or judgmental sample is appropriate to achieve the audit objectives. (Sampling will usually be discussed when developing the audit plan.)
- (6) Checklist - Checklists can be useful tools during an audit. Depending on the subject matter, a checklist may already be developed for the type of

audit being performed. Research the internet and prior audits to determine if any are available.

- (7) Other Types of Documentation - During the fieldwork phase, other types of documentation may be used to record information. Whatever the method, be sure to prepare the working papers as required by OCA working paper procedures.
- (8) Review of Working Papers - All working papers must be reviewed by the Audit Manager/Supervisor. All review notes must be cleared and all pages signed before including any working paper in the binder. (Review notes are to be included in working papers to document supervisory reviews. If multiple review notes are provided by from the same reviewer, the most recent review notes from that reviewer may be included in the working papers instead of including all review notes. See the audit program for the place of inclusion.)

2.3.10 **Report Phase**

(1) Findings Worksheets

The auditor shall complete Findings Worksheets when the auditor finds possible opportunities of improvement, discrepancies, errors, irregularities, weaknesses or deviations from internal control standards, regulations or policies. The Findings Worksheets shall document the elements of a finding: condition, criteria, cause, effect (or potential effect). Recommendations will also be included on Findings Worksheets. Preparation of the worksheet should assist the auditor in preparing to discuss the observation with the audit customer.

- The condition statement should be concise but provide detail to support the reader's understanding of the problem.
- Criteria refers to the standards, measures or expectations used in making an evaluation and/or verification.
- Cause is the reason for the difference between expected and actual conditions.
- Effect is the statement of risks which the organization may be exposed to if that clarifies the reason for reporting the observation.
- Recommendation is the corrective action to be proposed to the audit customer.

Prior to submitting Finding Worksheets for review by the Audit Manager/Supervisor, the Finding Worksheets must be cross-referenced to working papers.

Note—Preparation by the auditor of a Finding Worksheet does not mean that the finding will necessarily appear in the report. Inclusion of the draft finding remains subject to other considerations by audit management, such as materiality and significance, and to possible consolidation or reframing by audit management.

(2) The Audit Report

The audit report shall be developed after the fieldwork phase has been completed. However, auditors can start to develop parts of the report as they complete each step of the audit cycle.

Prior to submitting a draft report for review by the Audit Manager/Supervisor, the draft report must be cross-referenced to findings and/or working papers and the cross-referenced draft report must have been reviewed by at least one other OCA auditor.

Be sure that all working papers have been reviewed and signed by the Audit Manager/Supervisor at the start of the report writing phase. The index and the audit program should also be checked to ensure that all necessary steps have been completed.

The audit report should be developed with clear, concise sentences. In effect, the audit report tells the “story” of the audit. Use easy to understand language and short sentences, when possible. When possible, have one or more other OCA auditors to read and comment on the report before presenting it to audit management.

The report format includes the following: a cover page, memo (which includes a distribution list), table of contents, scope and objectives, executive summary, and related findings and recommendations. Depending on the type of audit, other information pages may be added. A copy of a sample report is located in the Audit Forms Library.

- The cover page - The cover page includes the title of the report, Project number, names and titles of staff responsible for the report, and the date issued. Update the fields with information from the assigned project. The information is centered and fitted to the OCA report template.
- Memo - A copy of the memo is located in the Audit Forms Library. Update the memo with the information related to your report.
- Table of Contents - The table of contents is a listing of the topics covered in the report as arranged by sections including the

corresponding page numbers. Make sure to review the sections to determine if they match with the corresponding page numbers.

- Body – The body of the report shall contain the scope and objectives, methodology, executive summary and the related findings and recommendations.
 - Audit objectives are broad statements defining the intended audit accomplishments.
 - Audit scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included.
 - Methodology describes the nature and extent of audit procedures for gathering and analyzing evidence to address the audit objectives. It shall also outline the audit standards followed (OCA is required to follow GAGAS) and any departures from the standards requirements and the impact on the audit and on the auditor's conclusions.
 - Executive summary previews the main points of the report. It contains enough information familiarize the reader with the full report without reading the entire report.
 - Audit Findings are pertinent statements of fact. It emerges from a process of comparing what should be and what is.
 - Audit Recommendations are actions the internal auditor believes necessary to correct existing conditions or improve operations.
 - Audit Conclusions (Opinions) for performance audits and attestation engagements are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. The strength of the auditors' conclusions depends on the sufficiency and appropriateness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are stronger if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary. (GAS 8.27) See *Sawyer's Internal Auditing*, Chapter 17, for additional guidance.
 - For performance audits, if after the report is issued, auditors discover that they did not have sufficient, appropriate evidence, they should communicate this information to appropriate officials, remove the report from any publicly accessible website, and

determine whether to conduct additional audit work necessary to reissue the report with revised findings or conclusions.

- For financial audits:
 - The report must state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP). The report must identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period. The report must state when informative disclosures are not reasonably adequate. The report must either contain an expression of opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated in the report. In all cases where an auditor's name is associated with financial statements, the report should clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report.
 - When providing an opinion or a disclaimer on financial statements, auditors must also report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. To form a basis for expressing an opinion, the auditor must plan and perform the examination to obtain reasonable assurance about whether the entity maintained, in all material respects, effective internal control as of a point in time or for a specified period.
 - Include all significant deficiencies in the auditor's report on internal control and indicate those that represent material weaknesses. If the auditors obtain sufficient evidence supporting the remediation of a significant deficiency prior to the issuance of the audit report, the auditors should report the significant deficiency and its remediation.
 - Following AICPA standard AU 561, Discovery of Facts Existing at the Date of the Auditor's Report, if auditors become aware of new information that might have affected their opinion on previously issued financial statement(s), then the auditors should advise management to determine the potential effect(s) of the new information on the previously issued financial statement(s) as soon as reasonably possible (GAS 5.26). If there are any material misstatements

requiring restatement and reissue of the statements, the auditors should advise management to make appropriate disclosure of the new information and their impact on the financial statements to those who are likely to rely on the financial statements.

Before scheduling the exit conference, all working papers and the draft report should be reviewed for confidential or sensitive information, such as Social Security numbers, Driver License Numbers, and/or information pertaining to public safety or security concerns that are protected by law from public release. Protected information, if any, must be completely redacted.

If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary. (GAS 8.38)

In the very rare circumstance that protected information must be retained in working papers, the working paper binder/folder shall be clearly marked “Contains protected information; not for public release,” and the protected information should be flagged to enable it to be redacted in the future if a public records request is received.

2.3.11 **Preparing for the Exit Conference**

After the report has been reviewed and cleared by the Audit Manager/Supervisor, the Exit Conference is scheduled to discuss the contents of the “Exit Conference Discussion Draft” audit report/review with Department staff who have been involved with the audit process. This meeting is intended to explain the draft report, go over the report page by page for content and clarity, and to obtain feedback. It also provides an opportunity to explain the formal response process for the final draft that OCA will subsequently provide to the Department for their written response within 30 days as required by the Code. During the Exit Conference, the Department staff may ask questions, discuss rewording or clarification of the report content, and explain alternative views about the draft. Feedback from the Exit Conference will be considered in preparation of OCA’s final draft report.

To prepare for the Exit Conference, you should follow the steps listed below:

- Consult with the Audit Manager/Supervisor to determine who should receive a copy of the discussion draft report and who should attend the Exit Conference. Prepare an exit conference memo using the format of the sample

in the Audit Forms Library. With Audit Manager/Supervisor concurrence, request the Commission Auditor's Executive Secretary schedule the Exit Conference. The Exit Conference will usually be in the OCA Conference Room.

- Once it is approved, scheduled and signed, the Commission Auditor's Executive Secretary will send the exit conference memo notifying all audit participants and appropriate OCA staff of the proposed exit conference with the related details necessary (date, time, and location). The memo shall be placed in the working papers and saved to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit.
- Prepare the Exit Conference Agenda. The agenda is used by the Commission Auditor to keep the conference discussion on target. A copy of the Exit Conference memo is located in the Audit Forms Library. The agenda shall be placed in the working paper binder and saved to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit.
- Attend the Exit Conference. Be sure to take copies of the agenda to the conference to pass around to attendees. The Audit Manager will explain the audit process and the Auditor-in-Charge will discuss the findings and recommendations, if any. Take notes of the conference including who is attending, from where, and job title if possible.
- Write the Exit Conference Summary. The summary shall be completed by the end of business on the day of the entrance conference. The longer you wait, the less you may remember to complete your notes. After the summary has been reviewed by the Audit Manager/Supervisor, file a copy in the working paper folder and save the file to the audit directory using file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit.

2.3.12 **Preparing the Final Draft**

Sec. 2-478 of the Code provides the following.

A final draft of each audit report shall be forwarded to the audited County agency, department or entity and the chief executive officer or department director for review and comment regarding the contents of the audit before it is released. The agency, department or entity shall respond in writing and specify agreement with the audit findings and recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to issues identified in the report and a timetable to complete such

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

activities. The response must be forwarded to the Commission Auditor within 30 days. The Commission Auditor shall consider the response and, at a minimum, include the response in the report. If no response is received, the Commission Auditor shall note that fact in the transmittal letter and release the audit report.

In preparing the Final Draft, the following steps shall be followed:

- (1) Incorporate exit conference comments into the draft report. Comments to be incorporated shall be agreed upon by the Auditor-in-Charge, Audit Manager/Supervisor and Commission Auditor.
- (2) A cover memo for the Final Draft shall be prepared by the auditor in charge and forwarded along with the Final Draft for the Commission Auditor's signature. Follow the format of the "Memo-Final Draft" in the Audit Forms Library. File a copy in the working paper folder and save the file to the auditor in charge's directory using a file naming convention that can be easily understood by an experienced auditor having no previous connection to the audit. If there is more than one audited entity, consult with the Audit Manager/Supervisor to determine whether or not different memos will be provided for each audited entity.
- (3) After the Commission Auditor signs the memo(s), attach a copy of each memo to the Final Draft and distribute the report. Note: Final drafts do not become public record until the final report is issued. Therefore, distribution of final drafts will be strictly limited.
- (4) Written management response is due within 30 days of the date the Final Draft is issued. If management response has not been received one week before the due date, send an email to the audited entity to remind them of the due date and to request their estimate of when it will be provided.
- (5) If management response is received by the due date, it shall be considered and incorporated into the audit report. At a minimum, a copy of the response will be included in the final report.
- (6) If no management response is received by the due date, the Commission Auditor shall note that fact in the final report's transmittal letter and release the audit report.

2.3.13 **Reviewing of Audit Reports**

Under GAGAS, auditors also should document, before the audit report is issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report. (GAS 4.20)

Audit documentation for financial audits and attestation engagements verifies that accounting records agree/reconcile with the audited financial statements or other audited information.

Prior to submitting a draft report for review by the Audit Manager/Supervisor, the draft report must be cross-referenced to findings and/or working papers and the cross-referenced draft report must have been reviewed by at least one other OCA auditor.

The Audit Manager/Supervisor shall review audit report drafts for completeness, accuracy and editorial considerations. The Audit Manager will then give the report to the Commission Auditor for his/her review. If there are no changes required by either the Audit Manager or the Commission Auditor, prepare the cover memo for the Commission Auditor's signature. A copy of the Final Report memo is located in the Audit Forms Library.

2.3.14 **Final Report Distribution**

After an audit report has been signed by the Commission Auditor, OCA Support Staff will assist with printing, binding and distribution of the report. At least one copy will be given to the auditor to place with the working papers and to the Audit Supervisor, Audit Manager and Commission Auditor. Other distribution shall be in accordance Section 2.2.4(3), with exceptions or additions as directed by the Commission Auditor.

2.3.15 **Filing Working Papers**

Audit organizations should establish policies and procedures for the safe custody and retention of audit documentation for a time sufficient to satisfy legal, regulatory, and administrative requirements for record retention. Whether audit documentation is in paper, electronic, or other media, the integrity, accessibility, and retrievability of the underlying information could be compromised if the documentation is altered, added to, or deleted without the auditors' knowledge, or if the documentation is lost or damaged. For audit documentation that is retained electronically, the audit organization should establish information systems controls concerning accessing and updating the audit documentation. (GAS 4.22)

When the report has been issued, the Auditor should prepare the working papers to be filed in the appropriate filing cabinet. Ask OCA Support Staff for binders to use in preparation. The index and audit program for the project should be complete.

When there is more than one binder for the working papers of a project, separate the index to reflect which working papers are in each binder. Each binder should

have a label with the Project Number, Project title and book number of (total books). EXAMPLE: Book 2 of 3.

In the very rare circumstance that protected information must be retained in working papers, the working paper binder shall be clearly marked “Contains protected information; not for public release,” and the protected information should be flagged to enable it to be redacted in the future if a public records request is received.

The Audit Manager/Supervisor should review the package before the binders are filed to ensure completeness.

2.3.16 **Requests for Audit Documentation from Outside Parties**

Audit organizations should develop policies to deal with requests by outside parties to obtain access to audit documentation, especially when an outside party attempts to obtain information indirectly through the auditor rather than directly from the audited entity. In developing such policies, audit organizations should determine what laws and regulations apply, if any. (GAS 7.84)

Except for documents related to audit reports that have not yet been issued as final reports, OCA work products are public records that are available for inspection by and release to the public. To the extent that OCA work products include information required by law to remain confidential or protected, OCA shall redact any such information prior to issuance or release of any report, correspondence, recording, email or other document, in any form.

Section 119.0713(2), Florida Statutes, which relates specifically to internal audits prepared for a unit of local government, provides the following exemption from public record requirements until audit reports become final.

"The audit report of an internal auditor prepared for or on behalf of a unit of local government becomes a public record when the audit becomes final. As used in this subsection, the term 'unit of local government' means a county, municipality, special district, local agency, authority, consolidated city-county government, or any other local governmental body or public body corporate or politic authorized or created by general or special law. An audit becomes final when the audit report is presented to the unit of local government. Audit work papers and notes related to such audit report are confidential and exempt from s. 119.07(1) and s. 24(a), Art. I of the State Constitution until the audit is completed and the audit report becomes final."

In accordance with GAS 7.83, OCA, subject to applicable laws and regulations, will make available appropriate individuals, as well as audit documentation, upon

request and in a timely manner to other auditors or reviewers to avoid duplication of efforts.

Because the auditor may have an ethical, and in some situations legal, obligation to maintain the confidentiality of audit customer's information and because audit documentation often contain confidential information, all efforts must be made to maintain control over the audit documentation. If required by law, regulation or audit contract to provide access to audit documentation, the Commission Auditor shall make appropriate arrangements regarding the date, time and location of access. Maintaining control of audit documentation is necessary to ensure the continued integrity of the audit documentation.

2.3.17 **Follow-Up**

This is a process by which OCA determines the efficiency, effectiveness, and timeliness of actions taken by management on reported engagement observations and recommendations,. Monitoring procedures include an evaluation of whether the audit organization has taken appropriate corrective action to address findings and recommendations or if management has assumed the risk of not taking corrective actions on reported observations.

Follow-up activities shall be scheduled within approximately one (1) year from the time of the final report and in time for inclusion of appropriate information in OCA's Annual Report to the BCC pursuant to Sec. 2-479 of the Code. The Audit Manager/Supervisor shall schedule follow-up based on the risk and exposure involved, as well as the degree of difficulty and the significance of timing in implementing corrective actions.

To facilitate the follow-up process, the auditor in charge is required to maintain a Findings Status Form, a spreadsheet of outstanding audit findings and recommendations which tracks identifying information about the audit report along with a summary of each finding in the report, the position responsible for taking corrective action, and the estimated completion date for corrective action. It shall also provide for the audit customer to specify whether or not a finding has been corrected, what was done to correct the issue and the date corrective action was complete.

The auditor conducting the follow-up will prepare an email or memo to the audited entity that notifies them of the follow-up process. This memo should include:

- Timeframes for the follow-up;
- A request that they provide the information requested; and
- Notification that results will be reported to the Board of County Commissioners.

Office of the Commission Auditor
Policies & Procedures
Section 2 – Audit Policies & Procedures

As the follow-up responses are returned to OCA, the information should be reviewed for reasonableness, completeness and adequacy and included in the spreadsheet. The auditor shall use professional judgment to determine whether corrective actions should be tested and what level of testing is appropriate, if any. Working papers and work programs should be updated, reviewed and signed as with other phases of the audit project.

Follow-up results and documentation will be maintained with the audit permanent file.

2.3.18 Audit Termination Prior to Issuance of Final Report

The Commission Auditor conducts audits in accordance with GAS to the extent required by the Board of County Commissioners' approved OCA Work Plan. (Code Sec. 2-476) Therefore, approval of removal of an audit from the Work Plan is also documented in an approved Work Plan. Additionally, the Board of County Commissioners may, by 2/3 vote all commissioners present, terminate an audit in progress. (Code Sec. 2-478)

Notification of termination of an audit in progress shall be provided to the audited entity, and the reason for termination will be documented in the audit working papers.

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Section 3 – Budget Policies & Procedures

3.1 Purpose & Authority

The Budget Staff will monitor the general fund, internal service funds, special revenue fund, and enterprise funds budgets countywide through financial analysis and reporting.

The Budget Staff will also identify sources of revenue necessary for the delivery of County services. They will monitor the Ad Valorem Tax, miscellaneous taxes, service fees, gas taxes and license fees for the County.

The Budget Staff will review annual budgets regularly to seek ways to use county funds efficiently. The Budget Section maintains a standard procedure instruction manual to ensure uniform accounting and budgetary procedures throughout county government.

Authorities are addressed in Section 1 of this manual.

3.2 Duties

The Budget Section will work with the Office of Strategic Business Management (OSBM) in the development of the proposed budget.

Copies of the proposed budget shall be made available to the Budget Staff on the same date as such budget is presented by the County Manager to the Mayor.

The Budget Staff will then commence an in-depth review and analysis of such budget giving full consideration to the County Commission's adopted priorities and policy directives. The in-depth review and analysis shall include any changes to such proposed budget made as a result of the budget prepared and recommended by the County Manager, and the Mayor's written response thereto, presented to the Commission.

Prior to the first budget hearing and after consultation with the Commission Chair and the Chair of the committee having jurisdiction over budgetary matters, the Budget Staff, in cooperation with the Mayor or his/her designee, shall prepare and issue any recommended written changes to the proposed budget and shall present same together with proposed budget amendments to the County Commission at the first budget hearing.

At the second budget hearing, after consultation with the Chair of the Commission and the Chair of the committee having jurisdiction over budgetary matters and in cooperation with the Mayor or his/her designee, the Budget Staff shall issue any final recommended written changes to the tentative budget and then present implementing amendments thereto to the County Commission.

The Budget Staff will have read-only access to any and all financial, data, and reporting systems of the County and access to all books, records, memoranda and other documents,

including both those internally or externally created, of all departments, boards, agencies, and other entities of the County.

- To the extent such information is required by law to remain confidential and/or exempt from disclosure, such information shall also be maintained by the Budget Staff as confidential and/or exempt.
- The Budget Staff may make direct inquiries of any officer, agent, or employee of any department, board, agency or other County entity to clarify matters under his or her purview.

3.2.1 Functional Duties

- (1) Budget Manager
 - Conduct budget and financial analyses for the BCC
 - Develop fiscal recommendations for BCC
 - Analyze annual budget submission for effectiveness and efficiency
 - Supervise staff providing budget and fiscal data
- (2) Budget Coordinator
 - Conduct monthly revenue and expenditure forecasts
 - Evaluate variances related to authorized budget levels
 - Monitor vacancies, budget and performance levels as set by ordinance
- (3) System Support Specialist
 - Extract financial data from information systems for statistical analyses
 - Develop technological programs for budget compliance and monitoring
 - Maintain information systems data
- (4) Senior Budget Analysts
 - Analyze high level departments within assigned committees
 - Supervise Budget Analysts 3s as assigned
 - Attend assigned committee and resources allocation meetings, as required
 - Develop budget impact statements for legislative items
 - Attend assigned committee and resource allocation meetings
 - Review revenue variances with assigned staff
 - Review expenditure variances with assigned staff
 - Prepare annual report accomplishments
 - Discuss personnel vacancies with assigned staff for impact, and report as needed
 - Review/draft response on budget amendments and supplements
 - Prepare special analyses

Office of the Commission Auditor
Policies & Procedures
Section 3 – Budget Policies & Procedures

- (5) Budget Analyst 3
- Research monthly and quarterly variances 10% and over, against same month last year, 15 days after FAMIS closure:
 - Revenue reports
 - Expenditure reports
 - Review and report on the top 5 performance measures (Scorecard) based on BCC priorities
 - Review assigned BCC and BCC Committee agenda items for budgetary impact
 - Attend assigned committee and resource allocation meetings
 - Analyze Long Term Vacancy website quarterly
 - Review monthly budget transactions to ensure adherence to legislative policy
 - Review annual Business Plans for future trends and issues
 - Verify new fiscal year budget in FAMIS against the adopted budget book for accuracy after first quarter
 - Prepare special analyses

3.2.3 Special Assignments:

Budget Manager

Supervise the budget section

Budget Coordinator

Supervise the system support specialist and perform complex financial analyses

System Support Specialist

Maintain and develop automated systems for the budget section

Senior Budget Analyst

Airport and Seaport Committee

Community Action Agency

Non-Departmental

Transit, Infrastructure, and Roads Committee

Budget Analyst 3

Budget, Planning, and Sustainability Committee

Government Operations Committee

Health, Public Safety, and Intergovernmental Affairs

Housing and Community Development

Recreation, Culture, and Tourism

3.3 Resource Allocation Plan Cycle

Ordinance amending Sec. 2-1795 of the County Code (preparation and adoption of the Annual Budget). Passed January 10, 2008.

December – January		After County Manager’s Proposed Budget	
	<i>Resource Allocation forecasting for coming year</i>		<i>Commission Auditor conducts review and analysis of the proposed budget in consideration of the Commission’s budget priorities</i>
January 31		July 12 – 24	
	<i>County Manager’s Resource Allocation priorities released</i>		<i>Mayor’s response to proposed budget</i>
January – March		Aug 15 – 1st Budget Hearing	
	<i>Departmental resource Allocation preparation and meetings with OSBM and OCA</i>		<i>Budget & Finance Committee discusses proposed budget</i>
March		Prior to 1st Budget Hearing	
	<i>Mayor’s budget address</i>		<i>Commission Auditor issues recommended written changes to proposed budget to BCC for 1st public Budget Hearing</i>
April		Second Budget Hearing	
	<i>County Commission Committees approve up to 20 budget priorities</i>		<i>Commission Auditor issues <u>final</u> recommended written budget changes to BCC (2nd Change Memo)</i>
July 1		October 1	
	<i>Tax Roll Released</i>		<i>New Budget becomes effective</i>

3.4 **Budget Section Work Plan**

1. Review the reasonableness of all revenue estimates included in the Mayor's proposed budget
 - Review information on economic and revenue conferences sponsored by the State of Florida Economic Demographic Research Department, the Florida Senate and the Florida House of Representatives for the latest revenue updates (October-December) and (June-August).
 - Analyze monthly State of Florida revenue distributed to the counties for local trends and the potential of future adjustments to revenue streams (Monthly).
 - Develop revenue assumptions and analyze historical data for utilization at the County Revenue Estimating Conferences (as necessary between December-July).
 - Attend and participate in the Social and Economic Development Council meetings (Monthly).
 - Liaise with County economist to discuss economic issues as needed.
 - Conduct an in-depth review and analysis on the proposed budget revenue (July-September).
2. Assist the BCC in compiling its Budget Priorities
 - Develop a list of potential priorities for BCC consideration with pertinent justifications (December).
 - Meet with each BCC Committee Chair to review budget priorities for committee consideration (January-March).
 - Correlate BCC priorities with the Mayor's and Manager's budget priorities (January-March).
3. Offer input throughout the budgetary process
 - Meet with department personnel to obtain an understanding of major issues.
 - Review State of Florida budgetary issues and their impact on the County budget, offering insights to the BCC as needed.
 - Review departmental business plans and performance indicators for future goals and objectives from County administration to analyze their alignment with BCC goals and objectives (February-April).
 - Review departmental budget submission drafts, attend departmental resource allocation hearings and discuss issues of concern as required (February-May).

Office of the Commission Auditor
Policies & Procedures
Section 3 – Budget Policies & Procedures

4. Analyze the Mayor's proposed budget and make recommendations to the BCC regarding adjustments to the proposed budgets
 - Conduct in-depth review and analysis of the proposed budget giving full consideration to the BCC's adopted priorities (July-September).
 - Develop budgetary reports, by Committee and by Department, on activities cost, staffing changes, overall revenue and expenditure direction, reorganizations, selected line item review, and span-of-control analysis (July-August).
 - Develop first and second budget hearing recommendations for BCC (September).
5. Provide periodic reports to the BCC which shall include, but not be limited to the following:
 - Create written correspondence, as necessary and/or requested, for various budgetary issues during the year.
 - Review BCC Committee agendas for budgetary concerns within legislative items and coordinate with the OCA Legislative Division (Monthly).
 - Provide assistance to the Audit and Legislative staffs as requested.
6. Monitor budget performance
 - Review, analyze and make recommendations to the BCC regarding all budget amendments proposed by the County Manager.
 - Monitor the County's budget as necessary and take exception to improper specific expenditures incurred by any County department, agency or entity.
 - Review intradepartmental budget amendments for compliance with Ordinance No. 07-45 and report to the BCC.
 - Review interdepartmental budget transfers for compliance with Ordinance No. 07-168 and report to the BCC.
 - Evaluate the County Administration quarterly budget report to the BCC, compare the report to existing County budget and financial systems, and issue reports on budget performance, as appropriate.
 - Examine the County Administration five-year financial plan for accuracy in budgetary assumptions utilizing historical data and future funding trends (December-January).
7. Perform special budgetary, financial and taxation analyses and provide policy assistance to the BCC as required
 - Arrange for site visits to each Department to enhance understanding of its mission, business plan, strategic initiatives, and performance measures (November-December).

- Select, analyze, and report on two County departmental activities utilizing zero-based budgetary theory for BCC (January-May).
- Provide special reports as requested.

3.5 Available Budget Training

- Automated budget development system (ABDS)
 - ✓ This legacy system is a powerful budgeting tool, particularly for forecasting departmental salary, fringe benefit, and other personnel costs. This system also provides the greatest detail regarding where and how departmental expenditures and revenues are organized:
 - ✓ The smallest cost unit entered into ABDS is the subject (line-items)
 - ✓ The smallest organizing unit of sub-object costs is the index code
- Resourcing for results online (RFRO)
 - ✓ This web-based system was introduced during January 2006. This application generates summary reports that are used by Office of Strategic Business Management (OSBM), County Executive Office (CEO), and the BCC during the various resource allocation planning meetings and presentations.
 - ✓ The cost units entered into RFRO tend to be summary categories (such as Salary, Fringe, etc.), although the system will indicate when further detail is requested
 - ✓ The smallest organizing unit of the RFRO cost unit is the Sub Activity.
- Access to these training must be coordinated with an OSBM business analyst.

3.6 Getting Started – Budget’s BIG Four

THE END-OF-YEAR PROJECTION	THE BASE	THE ENHANCEMENT	THE REDUCTION
<p>Departments must provide accurate fiscal year projections along with their base budget submissions for the next fiscal year. Projections should be based on actual revenue and expenditures experience, not the department’s authorized budget. These projections should be updated in the County’s resource allocation planning systems as changes occur throughout the year.</p> <p>End of year projections, together with submitted resource allocation plans and proposed property tax rates, are the major components from which OSBM balances the County Manager’s proposed resource allocation plan.</p> <p>This is one of the reasons why entering an accurate and updated current fiscal year projections is crucial to the County’s fiscal planning process.</p>	<p>Departments must submit an operating resource allocation plan that forecasts the costs needed to provide the same services in the next fiscal year as in the previous year. This is the base budget, and is the portion of the submission that will take the most time to enter into the County’s resource allocation plan systems. Another way to think of the base budget is to consider it a status quo operating budget.</p> <p>Base estimates should not be an incremental exercise which assumes that all resources currently in the base are still required into the next fiscal year. The department should carefully analyze the current level of resources assigned to the department and information derived from the projections should be used to assess the possibility of further efficiencies, that may allow the department to deliver the same services with fewer resources.</p>	<p>The County’s resource allocation plan systems provide the means for departments to enter all costs needed to implement desired additional amounts of current services, new services, and/or improved services. When proposing enhancements, take into account reasonable lead times that may affect the implementation of any new program or activity such as hiring processing time, procurement delays, etc.</p> <p>Anticipated results from service enhancements also should be determined. Service enhancements will not be incorporated into the resource allocation plan until reviewed and approved by the County Manager and the Mayor</p>	<p>The County’s budget systems provide the means for departments to enter all personnel and other operating savings associated with deliberate reductions in the provision of services. As with enhancements, the resulting impacts of service reductions should be determined.</p> <p>Reductions will not be incorporated into the resource allocation plan until reviewed and approved by the County Manager and the Mayor.</p>

3.7 **Budget Concepts Overview:**

3.7.1 Definition of organizational charts: There are two types of organizational charts required as part of the fiscal year’s departmental resource allocation plan submission:

- (1) Functional Table of Organization
- (2) Staffing Chart

Both organizational charts are very important in the planning process as they provide insight into the department’s overall management structure, the relationship between divisions, positions within a division, and divisional responsibility.

In preparing the organizational charts, the following personnel terminology are used:

In-stationed: An in-stationed employee is funded by another department but assigned to yours for work. In-stationed employees must be listed separately on the divisional staffing chart and in your departmental position count totals.

Out-stationed: An out-stationed employee is funded by the department but assigned to another. Out-stationed must be listed separately on the divisional staffing chart but are not counted in the position totals.

Part-time full-time equivalent (FTE): Any number of part-time employees whose work equals the output of one full-time employee.

Functional table of organization: The purpose of the functional table of organization (TO) is to show the relationship between divisions and provide a brief synopsis of the objectives within each divisional unit.

3.7.2 Definitions of operating and non-operating expenditures at the activity level:

Operating: Salary expenditures
Fringe expenditures
Other-operating expenditures
Capital expenditures
Transfer of other departments area considered an operating expenditure if they directly support the operations of this activity

Non-operating: Reserves
Debt payments
Transfer to other activities within the same department (INTRADEPT)
Other transfers

3.8 **Traditional Budgeting vs. Budgeting for Outcomes**

Traditional Budgeting	Budgeting for Outcomes
Start with last year as the base “entitlement”	Start by determining the price of government – how much citizens are willing to spend for services
Focus on adding/subtracting from base entitlement	Focus on buying results that matter to citizens from competing offers
Autopilot increase = new base	Since there is no base, there is no adding and subtracting
“Cut” from new base	Since there is no base, there is no adding and subtracting
Justification for needs and costs, plus extra	Offer to deliver results at the set price
Incentives to build up costs and make cuts hard	Incentives to produce the most results that matter, at a set price
Find hidden/unnecessary costs	Validate offers or find better choices
Choose to cut services or raise taxes, and get blamed (or blame someone else)	Choose the best offers, to get the most results for citizens at the price they will pay
Debate what to cut, what to tax	Debate how to get even better results

3.9 **Financial Forecasting**

- Project major revenues and expenditures for at least 3 to 5 years beyond budget
 - Combine into single forecast
- Regularly monitor and periodically update
- Make forecast available
 - Include underlying assumptions
 - Include methodology
 - Reference in final budget document
- Analyze variances

*Planned necessary resources to meet current and future operating and capital needs
(priority outcome)*

- Ensure adequate revenue streams
- Ensure adherence to required reserve levels
- Ensure a capital plan to assure adequate financial resources for replacement, repair and maintenance of critical assets

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Office of the Commission Auditor
Policies & Procedures
Section 4 – Legislative Policies & Procedures

Section 4 – Legislative Policies & Procedures

Under development

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Appendix A

Acronyms

ABDS	Automated Budget Development System
AICPA	American Institute of Certified Public Accountants
AIDS	Acquired Immune Deficiency Syndrome
AMS	Audit and Management Services Department
AO	Administrative Order
BCC	Board of County Commissioners
CEO	County Executive Offices
CODE	Miami-Dade County Code
CPE	Continuing Professional Education
EPP	Expedited Purchasing Program
FAMIS	Financial Accounting Management Information System
F.S.	Florida Statute
FTE	Full Time Equivalent
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAS	<i>Government Auditing Standards</i> (a.k.a. Yellow Book)
HIV	Human Immunodeficiency Virus
IIA	Institute of Internal Auditors
IIA Standards	<i>The Professional Practices Framework</i> (a.k.a. Red Book)
IT	Information Technology
MMAP	Metro-Miami Action Plan Trust
OCA	Office of Commission Auditor
OIG	Office of the Inspector General
OSBM	Office of Strategic Business Management
QCS	Quality Control System
PACT	Performing Arts Center Trust
RFRO	Resources for Results Online
SAS	Statements on Auditing Standards
SSAE	Statements on Standards for Attestation Engagements
TO	Table of Organization