FORMS

Quality Assurance Checklist	1
Audit Suggestion Form	2
Workpaper Index	3
Example of Audit Announcement Memorandum	4
Example of Audit Questionnaire	5
Understanding the Audit Process	6
Entrance Interview Worksheet	7
Standard Audit Program	8
Audit Planning Results Memorandum	9
No Go Decision Memorandum	10
Detail Testing Program	11
Draft Audit Condition	12
Review Notes	13

Quality Assurance Checklist
FORM 1

Project No._____
Audit Title_____
Names of Audit Staff_____

This checklist helps ensure that we produce high quality products that comply with generally accepted government auditing standards (GAGAS). It incorporates pertinent sections of ALGA's Peer Review Guide (2011), which was based on the December 2011 revision to the *Government Auditing Standards* issued by the Comptroller General of the United States. Auditors should use this checklist as a guide to ensure that the standards and internal procedures are followed. This checklist relates only to performance audits as we no longer conduct financial audits or attestation engagements.

Lead auditors are required to complete this checklist for all audits that will result in a report that cites compliance with GAGAS and the applicable sections for nonaudit services. The checklist should not be used for follow-up reviews.

There are two parts of the checklist. Part I is the Audit Checklist and Part II is the Report Checklist. Since the current Audit Manual has not been updated to reflect the current standards, this checklist and the 2011 *Government Auditing Standards* take precedence over the Manual until such time as the Manual is updated. For each question where the column is not shaded, the lead auditor shall answer "Yes" in the middle column if the procedure was followed and reference the applicable work paper. If the answer is "No" or "Not Applicable", the lead auditor shall use the column to the far right to explain why such standard or procedure was not done or why a particular standard or procedure did not apply.

The Quality Assurance Checklist requires signatures by the lead auditor and Audit Director. This checklist <u>must</u> be completed and signed prior to submitting the draft report to the auditee and before the proposed final report is submitted to the Interagency Internal Audit Authority (IIAA) for approval. The signatures certify that the audit was conducted in accordance with the July 2011 revision to GAGAS and that the proposed draft and final reports are accurate. The Administrative Coordinator's signature is also required for the editorial review of proposed draft and final reports and for posting the final report to our website, unless the report is "Confidential."

PROPOSED DRAFT REPORT

I certify that the audit was conducted in accordance with the July 2011 revision to GAGAS and that the proposed draft report is accurate.

_____
Lead Auditor's Signature   Date

_____
Administrative Coordinator's Signature   Date
(Review for Grammar, Tone, and Format)

_____
Audit Director's Signature   Date

Date Draft Report Issued_____

PROPOSED FINAL REPORT

I certify that the final report is accurate.

_____
Lead Auditor's Signature   Date

_____
Administrative Coordinator's Signature   Date
(Review for Grammar, Tone, and Format)

_____
Audit Director's Signature   Date

_____
Date Proposed Final Report Submitted to IIAA

_____
Date Final Report Was Issued

_____
Administrative Coordinator's Signature and Date
When Final Report is Posted to Website and Made Available to the Public

(Note if report was "Confidential" and not posted on website, or distribution of report was limited)

PART I Audit Checklist

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
1. INDEPENDENCE (GAS 3.02-3.59) Audit organizations and the individual auditor must be independent – of mind and in appearance – during any period of time that falls within the subject matter of the audit, and the period of the professional engagement. (GAS 3.02 – 3.05b)		
2. Were Certificates of Independence completed as requested by OPM 12-02, applying the conceptual framework at the organization, audit and individual auditor levels to: **a.** Identify threats to independence; **b.** Evaluate the significance of threats identified, both individually and in the aggregate; and **c.** Apply safeguards as necessary to eliminate or reduce the threats to an acceptable level (GAS 3.05, 3.08, 3.20, 3.21, 3.24)		
3. Was the audit declined or terminated if threats could not be eliminated or reduced to an acceptable level? (GAS 3.25)		
4. Were threats identified that had an impact on the audit after the reports was issued? If yes, was this communicated appropriately? (GAS 3.26)		
5. If nonaudit services related to this audit was performed, complete Steps #6 through #9. If not, skip to Step #10.		
6. Prior to the start of the audit, did the auditor fill out the nonaudit services form documenting that performing the service would not create a threat to independence and that someone who possesses the skill and knowledge necessary would oversee the nonaudit service. (GAS 3.34, 3.46)		
7. Was assurance obtained from management that they perform the following functions in connection with the nonaudit service: **a.** Assume all management responsibilities; **b.** Oversee the services; **c.** Evaluate the adequacy and results of the services performed; and **d.** Accept responsibility for the results of the services. (GAS 3.37)		

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
8. Was an understanding with auditee management documented regarding the following elements: **a.** Objectives of the nonaudit service; **b.** Services to be performed; **c.** Audited entity's acceptance of its responsibilities; **d.** The auditors responsibilities; and **e.** Any limitations of the nonaudit service? (GAS 3.39, 3.59)		
9. If required to perform a nonaudit service that impairs independence, was the nature of the threat disclosed and the GAGAS statement modified? (GAS 3.44, 3.46, 3.55)		
10. Were the impacts of previous nonaudit services performed evaluated prior to accepting or beginning an audit? (GAS 3.42)		
11. PROFESSIONAL JUDGMENT (GAS 3.60- 3.61) Auditors must use professional judgment including exercising reasonable care and professional skepticism in planning and performing audits and in reporting the results.		
12. COMPETENCE (GAS 3.69-3.70) The audit organization's management should assess skill needs to consider whether its workforce has the essential skills that match those necessary to perform the particular audit. Accordingly, audit organizations should have a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce.		
13. Did the staff assigned to perform the audit, including supervisors, collectively possess adequate professional competence for the tasks required? (GAS 3.69, 3.72, 6.12.d) -Did all staff meet applicable CPE requirements? (GAS 3.76-3.78) *(To be completed by Audit Director)*		

QC30.a

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
14. Were specialists engaged when necessary? (GAS 6.12d, 6.45d) If so, did the auditors assess the professional qualifications of such specialists and document their findings and conclusions? (GAS 3.79-3.81) -Did auditors document the nature and scope of work to be performed by the specialist? (GAS 6.46a-d)		
15. PLANNING (GAS 6.06, 6.53, 6.79) Work is to be adequately planned, supervised, and documented to address the audit objectives.		
16. Were all steps in Section A (Planning) of the Standard Audit Program completed, initialed, and cross-referenced to the working papers? -Was an Audit Planning Results Memorandum prepared and did it provide a conclusion on internal controls, identify any modifications to the audit scope and objectives, and describe the planned audit methodology based on the results of the risk assessment? -Did the Audit Planning Results Memorandum determine the type and amount of evidence to be gathered and identify any issues related to the lack of sufficient, appropriate evidence needed to address the audit objectives? (GAS 6.39) -Did the Audit Planning Results Memorandum identify any actions needed to limit audit risk and reduce it to an acceptable level? (GAS 6.07, 6.10) -If further work was not necessary after the planning phase, was a No GO Decision Memorandum submitted and approved by the Audit Director? Was the auditee notified of this decision?		
17. If the planning phase of the audit exceeded the allotted weeks, did the lead auditor obtain the Audit Director's approval? Is the approval documented in the working papers?		

QC30.a

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
18. Was the Detail Testing Program approved by the Audit Director? (6.12f, 6.51-6.52) -Did the Detail Testing Program address the announced audit objectives? -If the audit objectives and scope changed from those in the Audit Announcement Memo, was the auditee notified of the change in writing before the start of testing? (GAS 6.12e) -Was the entrance conference documented in the workpapers? (GAS 6.12e)		
19. FIELD WORK STANDARDS (GAS 6.01-6.85) The fieldwork standards relate to planning the audit; supervising staff, obtaining sufficient, appropriate evidence; and preparing audit documentation.		
20. Did the auditors communicate an overview of the objectives, scope, and methodology and timing of the audit and planned reporting to management, those charged with governance, and requestors and document such communication? (GAS 6.12.e, 6.47-6.49) (Reference Audit Announcement Memorandum, Entrance Conference, and any other documentation of such communication).		
21. Did the Audit Risk Assessment list each risk, a brief statement on control or the absence of control, a workpaper reference and whether the risk is high, medium, or low? (GAS 6.11)		
22. Did the Audit Risk Assessment reference the specific test in the Detail Testing Program, if you tested the identified risk?		

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
23. Did the auditors assess audit risk and significance within the context of the audit objectives by gaining an understanding of: a. The nature and profile of the program and needs of potential users of the report (GAS 6.11.a., 6.13-6.15) b. The design and implementation of internal control (GAS 6.11.b, 6.16-6.22) c. The design and effectiveness of information system controls (GAS 6.11.c., 6.23-6.27) d. Legal and regulatory requirements, contract provisions, grant agreements, and potential fraud and abuse (GAS 6.11.d, 6.28-6.34) e. Ongoing investigations or legal proceedings (GAS 6.11e, 6.35) f. Results of previous audits (GAS 6.11f, 6.36)		
24. Did the auditors, to the extent related to the audit objectives, identify potential criteria and sources of evidence, and evaluate whether to use the work of other auditors or experts? (GAS 6.12 a-c, 6.37-6.44)		
25. Did auditors obtain sufficient, appropriate evidence to define and address the audit objectives, plan audit work and provide a reasonable basis for their findings and conclusions? (GAS 6.06 – 6.10, 6.38, 6.56-6.57) Did auditors document their evaluation of whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions? For example, did auditors test the reliability of supporting evidence using statistical sampling, or obtaining corroborating evidence? (GAS 6.56 – 6.59, 6.69, 6.71-6.73) (Reference Audit Planning Results Memorandum and Detail Testing Program)		

QC30.a

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
26. If auditors believed that sufficient, appropriate evidence would not be available, did they: a. Revise the audit objectives or modify the scope and methodology and determine alternative procedures to obtain additional evidence or other forms of evidence to address the current audit objectives, and b. Evaluate whether the lack of sufficient, appropriate evidence is due to internal control deficiencies or other program weaknesses, and whether the lack of sufficient, appropriate evidence could be the basis for audit findings? (GAS 6.39)		
27. If there were indications that fraud or abuse may have occurred that is significant to the audit objectives, did the auditors extend audit steps and procedures as necessary to determine (1) whether the fraud or abuse has occurred and (2) if so, its effect on the audit findings? (GAS 6.32, 6.34)		
28. If an audit was terminated before completion and an audit report was not issued, did auditors document the results of work done and explain why the audit was terminated? Were the reasons for termination communicated to appropriate officials and was the communication documented in the working papers? (GAS 6.50, 7.06)		
29. Did the auditors assess the sufficiency and appropriateness of computer-processed information? (GAS 6.66) -Was a Data Reliability Checklist completed to ensure that computer-generated data are reliable when used to support audit work?		
30. If auditors found that evidence that is significant to the audit findings and conclusions had limitations or uncertainties, did they apply additional procedures as appropriate? (i.e. Seek independent corroborating evidence, redefine the audit objectives, limit the scope, or revise the findings and conclusions) (GAS 6.71-6.72)		

QC30.a

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
31. If auditors did not comply with applicable GAGAS requirements for any reason, did they document the departure from the GAGAS requirements and the impact on the audit and on the auditors' conclusions? (GAS 6.84, 2.24, 2.25)		
32. Was approval obtained from the Audit Director before the budget was exceeded by 10 percent? Are the approvals documented in the working papers?		
33. Were indications of irregularities or illegal acts promptly brought to the attention of the Audit Director and IIAA?		
34. If auditors pursued indications of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, did the auditors take appropriate action to avoid interfering with investigations or legal proceedings? (GAS 6.35)		
35. Was the Detail Testing Program updated to reflect any significant changes made during the audit and were such changes approved by the Audit Director? (GAS 6.51)		
36. Did auditors prepare and maintain audit documentation related to planning, conducting, and reporting and documentation to support findings, conclusions, and recommendations before issuing the report? (GAS 6.79, 6.80) -Did working papers, or series of working papers, identify Purpose, Source, Scope, Methodology, and Conclusion? -Were all working papers completed and submitted to the Audit Director for review prior to issuance of the discussion draft? -Did auditors cross-index facts, figures, statements to related working papers, to summaries, and the report? -Were Draft Audit Condition Forms used to identify potential findings? If not, did w/p's sufficiently identify potential findings? -Were condition, criteria, cause, effect, and recommendation identified in findings? -If the findings were not used in the report, did the form or w/p's explain why?		

	Yes (W/P Reference)	No or N/A (Explanation)
GENERAL STANDARDS		
37. Was audit staff properly supervised? (GAS 6.53-6.55, 6.82-6.83) -Do all working papers, or a series of working papers, have evidence of supervisory review before the discussion draft was issued? *(Both Questions to be Completed by Audit Director)*		
38. If additional working papers were prepared after the discussion draft or formal draft was issued, were they submitted to the Audit Director, and reviewed before issuance of the final report?		
39. Were all supervisory review notes satisfactorily addressed by the auditors before issuance of the final report? *(To be completed by the Audit Director)*		
40. Were all steps in the Detail Testing Program completed, initialed, and cross referenced to the working papers by the auditor, and was the program reviewed and initialed by the Audit Director?		
41. Were all steps in the Standard Audit Program completed, initialed, and cross referenced to the working papers by the auditor, and was the program reviewed and initialed by the Audit Director?		
42. Were Message Meetings held with the Audit Director at the completion of audit testing and are these meetings documented in the working papers?		
43. Was an exit conference held with the auditee? Was it documented? Were changes made to the proposed draft made, if appropriate, based on the exit conference? Note: An exit conference may not be necessary if there are no findings.		
44. Were all items in the Workpaper Index completed, or explained if not applicable?		
45. Were appropriate individuals and audit documentation available to other auditors or reviewers upon request, subject to applicable laws and regulations? (GAS 6.85)		

Part II Report Checklist

	Yes (W/P Reference)	No or N/A (Explanation)
1. **REPORTING STANDARDS FOR PERFORMANCE AUDITS** (GAS 7.01-7.44) These standards relate to the form of the report, the report contents, and report issuance and distribution.		
2. Did auditors issue an audit report to appropriate officials in accordance with GAGAS? (GAS 7.03-7.06, 7.44)		
3. Does the report clearly describe in an unbiased manner, the objectives, scope, and methodology, as well as other report requirements? (GAS 7.08-7.13)		
4. Does the audit report present sufficient, appropriate evidence to support the findings and conclusions in relation to audit objectives and describe any evidence limitations, internal control deficiencies, instances of fraud, noncompliance with laws, regulations, contracts, grant agreements, or abuse? (GAS 7.07-7.08, 7.14-7.18)		
5. Does the audit report include a conclusion to answer each objective in the announcement memo or the revised announcement memo, based on the audit findings? (GAS 7.27)		
6. Does the Scope section of the audit report include work on internal controls? (GAS 7.19)		
7. Did the audit report include deficiencies in internal control that are significant to the audit objectives and based upon the audit work performed? (GAS 7.18-7.19) -If the auditors' detected internal control deficiencies that were not significant to the audit objectives, did they include them in the report or communicate them in writing to the appropriate officials unless the deficiencies were inconsequential? (GAS 7.19)		
8. Did the auditors refer to the written communication in the audit report, if the written communication is separate from the audit report? (GAS 8.19)		

	Yes (W/P Reference)	No or N/A (Explanation)
9. When auditors concluded that fraud, illegal acts, violations of contracts or grant agreements, or abuse were significant within the context of the audit objectives occurred; did they report the matter as a finding and did they consider early communication to prevent further noncompliance? (GAS 6.78, 7.18, 7.21-7.23)		
10. Did the auditors report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to parties outside the audited entity when appropriate? (GAS 7.24-7.26)		
11. Does the report recommend actions to correct problems identified and improve programs, operations, and performance? (GAS 7.28-7.29)		
12. Do the recommendations flow logically from the findings and conclusions, resolve the cause of identified problems, and clearly state the actions recommended? (GAS 7.28)		
13. Does the report include cost savings, if applicable?		
14. Does the report cite compliance with GAGAS when all applicable requirements were followed, or disclose when they were not followed? (GAS 7.08, 7.30-7.31)		
15. Were the proposed discussion draft, draft, and final reports cross-indexed and independently referenced before issuance? -Were changes made to the proposed final report, other than minor word changes, cross-indexed and independently referenced? -Did the Report Reference Sheet show that corrective action was taken on all comments -If the referencer's comments required changes to the report, did the Audit Director sign the Report Reference Sheet indicating approval? -Was each version of the cross-indexed and referenced reports dated, marked on top, and included in the working papers?		

	Yes (W/P Reference)	No or N/A (Explanation)
16. Does the final report include a copy of the written comments to the draft report from responsible officials or a summary of written or oral comments? (GAS 7.08, 7.32-7.37) -Did the auditor evaluate the response and indicate which responses were considered adequate and resolved, and provide comments for responses that did not adequately address the recommendations? -If the auditee disputed facts, did the auditor address the issue and make changes in the final report if the auditee provided sufficient evidence that the auditor was incorrect?		
17. If information is prohibited from public disclosure or excluded from the report due to its confidential nature, did the audit report disclose that certain information was omitted and explain the reasons why? (GAS 7.08, 7.3-7.43)		
18. Were the Discussion Draft and Draft Reports marked "Confidential"?		
19. Did the Final Report cover page include the Audit Title, Report Number, and Date Issued? Was the IIAA signature and date of issuance included at the end of the report?		
20. Did the Final Report exclude the "Confidential" watermarked, unless confidential?		
21. Was the final report submitted to appropriate officials and oversight bodies and were any limitations on report distribution documented? (GAS 7.44)		

QC30.e

FORM 2
SUGGESTED AREA FOR AUDIT-FY ____

AREA TO BE AUDITED: _____

Department: _____ Division: _____

Operation: _____ Manager: _____

Check all that may apply

ANTICIPATED PURPOSE OF THE AUDIT: (TO DETERMINE)

☐ **Financial:** Are financial reports available that contain accurate, timely, complete and useful information?

☐ **Compliance:** Do current systems provide for compliance with policies, procedures laws and regulations? Does the department comply with such requirements?

☐ **Safeguarding of Assets:** Do controls exist to safeguard assets and records from unauthorized use or loss?

☐ **Economy & Efficiency:** Have policies and procedures been designed to take full advantage of the department's resources and assets? Are these policies and procedures followed consistently?

☐ **Program Results:** Have objectives, goals and control procedures for the area's operations been clearly defined? Are these objectives and goals being accomplished?

☐ **Fraud/Abuse:** Suspect fraud, waste and/or abuse of assets?

FORM 2
SUGGESTED AREA FOR AUDIT-FY ___

Check all that may apply

CURRENT OPERATIONAL CHANGES THAT IMPACT YOUR REQUEST:

| Budget: | ☐ Increase | ☐ Overrun |
| | ☐ Decrease | |

☐ Need for Mgmt. Information	☐ High Degree of Risk
☐ Adverse Publicity	☐ New Regulation Requirements
☐ New Program/System	☐ Updated Policies/Procedures
☐ Follow-up to Prior Audits	☐ Change in Management
☐ Increase in Transaction Volume	☐ Growth Requires New Procedures

Please List your Anticipated Objective/Outcome For This Audit:

_____

_____

_____

_____

_____

Additional Information You Feel Will Help Explain Your Audit Request:

_____

_____

_____

_____

FORM 2
SUGGESTED AREA FOR AUDIT-FY ___

_____ ___

_____

_____

_____
Signature

_____
Name and Title

_____
Division/Department/Office

_____
Date

WORKPAPER INDEX

Check if Included

Follow-up (Non-Recurring Audit)
  Management Letter ☐
  Status Request Memo ☐
  Auditee's Status Update ☐
  Testing & Other Documentation ☐

Workpaper Index ☐

Section CR: Correspondence & Reports
  Final Report Memo ☐
  Final Report ☐
  Formal Auditee Response ☐
  Draft Audit Report Memo/Email ☐
  Draft Audit Report ☐
  Discussion Draft Report Memo/Email ☐
  Discussion Draft Report ☐
  Notification of Audit/Audit Questionnaire ☐
  Understanding the Audit Process ☐
  Auditee Reply to Questionnaire ☐
  Record of Request ☐
  Request for Additional Time/Hrs Memo ☐
  Miscellaneous Correspondence ☐

Section QC: Quality Control
  Certificate of Independence ☐
  Certificate of Independence - Specialist ☐
  Quality Control Checklist ☐

Section A: Planning
  Standard Audit Program ☐
  Acronym Key (if necessary) ☐
  Work Performed by Other Auditors ☐
  Entrance Interview ☐
  Status of Prior Period
   Recommendations (Recurring Audit) ☐
  System & Organization Documentation
    Summary of Internal Controls ☐
     Background ☐
     Staff Interviews ☐
     Flowcharts/Narratives ☐
     Walkthroughs/Test of Controls ☐
     Other ☐

WORKPAPER INDEX

Check if Included

Analytical Reviews/Analysis ☐
Audit Risk Assessment ☐
Fraud Discussion Write-Up ☐
Data Reliability Testing ☐
Audit Planning Results ☐
No-Go Document ☐

Section B: Test Workpapers
Detailed Audit Program ☐
Tickmarks (Explanation if necessary) ☐
Notes, Explanations & Exceptions ☐
Workpapers – Objective #1 ☐
Workpapers – Objective #2 ☐
Workpapers – Objective #3 ☐
Workpapers – Objective #4 ☐

Section C: Audit Completion
Draft Audit Conditions ☐
Issues Requiring Further Study ☐
Conclusions on Audit Objectives ☐
Exit Interview ☐
Message Meeting Write-Up ☐
Draft Audit Report (XIndexed Versions) ☐
Audit Abstract, if needed ☐

INTERAGENCY INTERNAL AUDIT AUTHORITY
INTERNAL AUDIT DIVISION
FREDERICK COUNTY, MARYLAND

COUNTY GOVERNMENT   PUBLIC SCHOOLS   COMMUNITY COLLEGE
8 East Second Street, Suite 100 ● Frederick, Maryland 21701
301-600-1154 ● FAX 301-846-2211 ● TTY Use Maryland Relay
http://www.co.frederick.md.us

FORM 4
Memorandum

To:

From: , Director of Internal Audit

Date:

Subject: <mark>Title of Audit</mark>

We are planning to conduct a performance audit of the _____. The Interagency Internal Audit Authority approved this audit as part of the FY___ work plan.

The objective of this audit is to determine_____.
The scope of the audit will include_____. The objectives and scope may be revised after the completion of our preliminary survey, interviews and risk assessment. Any changes will be discussed with you.

Enclosed is a questionnaire, which will help us gain an understanding of your operation. Please complete and return to <mark>lead auditor's name</mark> of my staff by _____.   We have also enclosed a discussion of the audit process for your information. We plan to begin the audit the week of _____ and will contact you shortly to schedule an entrance conference.

If you have any questions, please call me at <mark>xxx-xxx-xxxx</mark>.

Thank you for your time and attention.

Enclosures

pc:

7/09

FORM 5
EXAMPLE OF AUDIT QUESTIONNAIRE

1.   Please provide us with the following information about your department: (Check if attached)

- Organization chart ☐
- Mission statement ☐
- Department goals ☐
- Policies and procedures manual ☐
- Sample of commonly used documents or standard forms ☐
- Copies of audit reports prepared by other auditors within the last three years ☐

2.   Briefly describe the major operations within your department.

3.   How do you assure that the goals of each operation mentioned above are being met?

4.   How do you assure that your policies/procedures are being followed?

5.   What criteria do you use to measure performance? (For example: prior year activity, industry standards, etc.)

6.   What are the risks you see in your department?

7.   What procedures do you have in place to control these risks?

8.   Are there any laws or regulations with which your department must comply? If so, please specify and describe.

9.   What initiatives or actions does your Division/Department plan to implement for changing and/or improving the current operations/activities being audited? Please be specific as to how and when you plan to implement these changes, as well as any other milestones you may have established or achieved.

10.   Do you have any cash accounts (i.e., petty cash, cash box) or maintain separate bank accounts?

_____   _____
                Signature   Date

Understanding the Audit Process

This is a short discussion of the audit process including:

- The purpose of an audit
- How your area is selected for review
- The audit process
- The report process
- Audit Follow-Up

Audit Purpose

The Internal Audit Division's primary mission is to conduct audits and/or special studies to benefit the citizens of Frederick County and the management of Frederick County Government, Frederick County Public Schools, and Frederick Community College. The goal of the audit process is to promote effective program administration and financial management, and to ensure integrity in governance. The primary purpose of an audit is to evaluate operations with a view towards improving future performance.

The audit report, which is a joint effort of both the agency and the auditor, is the end result of the audit process. Recommendations from the report can be used as a basis for adjusting policies, priorities, or procedures in order to make operations as efficient, economical and effective as possible.

All audits are conducted in accordance with government auditing standards; and, as applicable, in compliance with Federal, State and local laws and regulations.

Selection of Audits

Internal Audit's priorities are documented in the annual performance audit workplan. Selection criteria are determined by a combination of factors including:

- The risk assessment process
- Suggestions from elected officials, interested parties, and agencies
- Prior audit coverage
- Statutory, regulatory, and contractual requirements

Audit Process

Audit Notification: In most cases agencies will be notified prior to the scheduled start date of an audit or review. Exceptions to this procedure may include surprise cash audits or requests from management.

Entrance Interview: At the beginning of each audit, the auditor(s) meets with agency management and staff to discuss the audit scope and objectives. Other areas usually covered include estimated time frames for completing the audit; access to required records, information and personnel; and management designation of a contact person for coordination purposes. Internal Audit will also ask for and consider management's suggestions for additional objectives to include in the audit or potential areas that may warrant special review.

Performing the Audit: During the audit process, the auditor(s) will obtain background information such as agency mission and goals, internal control structure, and staff responsibilities through interviews with agency staff and reviews of standard operating procedures. Based on this information, the auditor(s) develops detailed examination and verification procedures and performs tests and evaluations to accomplish the agreed upon objectives of the audit.

Keeping Management Informed: During the audit, the auditor(s) will keep management informed of findings and/or concerns as they develop through discussions and meetings. These discussions serve two purposes:

- Provide an opportunity for the agency to clarify the auditor's understanding of the facts and circumstances surrounding the finding(s) and to correct misunderstandings and inaccuracies
- Provide management with notice of areas where improvements may be needed so they can take corrective action as soon as possible

If significant issues arise during the audit process, we will notify the appropriate level of management in writing.

Exit Conference: The purpose of the exit conference is to communicate audit results to management and to obtain management's comments on proposed findings and recommendations before the draft audit report is issued. The issues presented at the exit conference may have been previously discussed with management. This is management's last opportunity to comment on the findings and recommendations prior to issuance of the draft report and their input is important to ensure that the audit results are fairly presented and that recommendations are reasonable and free of any errors or misrepresentations. After the exit conference, management is asked to respond to the findings and recommendations in writing.

Audit Reports

Discussion Draft: This report is submitted to the agency management prior to the exit conference. It is designed to assure that facts and findings have been clearly stated, and provides an opportunity for management to correct any errors prior to issuance of the draft report.

Draft Report: This report is issued to the auditee requesting a written response to any audit findings and recommendations.

Final Report: The proposed final report, including management's response to the draft report, is submitted to the Interagency Internal Audit Authority (IIAA) for approval. Management is invited to the meeting when the proposed report is discussed. The report becomes final after the IIAA approves it. Unless restricted by law, once approved, the report becomes public information and will be placed on our website.

Audit Follow-Up

Six months after the final audit report is issued a memorandum is sent to the agency requesting that they prepare a status report of corrective actions taken and provide any support that provides evidence that recommendations have been implemented. This process is repeated every 6 months. Recommendations not implemented within one year of the report will be brought to the attention of the IIAA. Follow-up audits will be conducted when necessary.

FORM 7
ENTRANCE INTERVIEW WORKSHEET

Date:

Individuals present:

Tentative objectives and scope:

Criteria to be used by auditors in measuring performance:

Significant compliance requirements:

Potential users of audit report and associated needs:

Details of the meeting:

Audit Title:	Period

AUDIT PROCEDURES	W/P Reference	Done by	Reviewed by
A. Planning			
1. Mail notification of audit letter. Attach audit questionnaire for completion by department head requesting background information and inquiring about risks, controls, requirements, etc.			
2. Read applicable Yellow Book requirements based upon audit type (i.e., performance, financial, attestation). Initials certify understanding of requirements.			
3. Search for criteria/best practices and similar audit reports and programs using available resources such as ALGA Listserv, Google search engine, GAO standards for internal control, other internal audit websites, etc.			
4. If our office has previously audited this area, review most recent audit report and workpapers. Determine whether other auditors have performed reviews of the area planned for audit and obtain copies of audit reports and workpapers as applicable. If it is the intent to place reliance on the work of other auditors, perform appropriate tests to provide a sufficient basis for that reliance.			
5. After reviewing background information and responses to questionnaire, prepare agenda for and schedule entrance interview with department head for the purpose of clarifying this information as necessary and discussing and obtaining agreement on pertinent aspects of the audit. Document results on "Entrance Interview Worksheet."			
6. Interview other key staff to gain a further understanding of relevant management controls.			
7. If recurring audit, determine status of prior year report recommendations and management's reason for any recommendations not implemented. Test implemented controls as considered necessary.			
8. Document control system using flowcharts and/or narratives. (If recurring audit, update permanent file.) Confirm understanding of operations and controls with appropriate staff, and revise documentation as necessary.			

Audit Title:	Period

AUDIT PROCEDURES	W/P Reference	Done by	Reviewed by
9. Perform walkthroughs and tests of controls.			
10. Perform analytical reviews, as appropriate.			
11. Audit team members must hold meeting to discuss among the team fraud risks. Document the meeting. During the planning phase of the audit, gather and assess information to identify risks of fraud that are significant within the scope of the audit objectives or that could affect the findings and conclusions. If factors or risks are identified that have occurred or are likely to occur that are significant within the context of the audit objectives, design procedures to provide reasonable assurance of detecting such fraud. See Step 12 and Part B.			
12. If computer-processed data is considered significant to audit objectives, include tests to assess its reliability. Submit for approval.			
13. Identify major risk factors, taking into consideration the possibility of non-compliance with laws and regulations, fraud, the significance of the risk factors to the audit objectives, potential users of the audit report and the adequacy of management controls. Prepare "Audit Risk Assessment."			
14. Discuss risk assessment with supervisor and determine which controls will be subject to testing. Complete "Audit Testing" column of "Audit Risk Assessment" workpaper for those controls to be tested.			
15. Finalize audit objectives and scope. Prepare summary of audit methodology to be used. Document on "Planning Results" workpaper.			
16. Prepare detailed audit program reflecting each testing objective and associated audit procedures. Obtain Audit Director's approval.			

Audit Title:	Period

AUDIT PROCEDURES	W/P Reference	Done by	Reviewed by
B. **Testing** (see separate audit program)			
C. **Audit Completion**			
1. Prepare draft audit findings using standard forms. Include in workpaper file in order of importance. When feasible, state financial effect.			
2. Identify and document any issues requiring further study.			
3. Conclude on each testing objective and prepare overall conclusion stating results of audit relative to each audit objective.			
4. Submit workpapers for review.			
5. Prepare audit report and submit for review. Include cross-indexed version in workpapers.			
6. If any information deemed significant is prohibited from inclusion in the report due to federal, state or local laws or regulations, include a statement in report describing the nature of the omitted information and the applicable requirement.			
7. Prepare email and send report marked "discussion draft" to appropriate auditee management and staff.			
8. Conduct exit conference to discuss discussion draft report. Document date, individuals present and items discussed.			
9. After making any necessary corrections as a result of the exit conference, prepare email and send report marked "draft" to appropriate auditee management and staff.			
10. If required, prepare audit abstract and submit for approval.			

Date:

To: Audit Manager/File

From:

Subject: Planning Memorandum

Audit Objectives and Methodology

See Detail Testing Program on w/p .
(Note if any changes to the preliminary audit objectives have been made.)

Audit Scope

(Describe the audit scope and note if any changes to the preliminary audit scope have been made.)

Conclusion on Internal Controls

See w/p .

Staffing and Schedule Summary

The following auditor(s) is assigned to this audit:

Name – Title

The audit will have a start date of July 25, 2008. The budgeted hours to complete the audit are 225 hours.

Evidence and Audit Risk

Evidence - (Describe the type of evidence being gathered to address the audit objectives and any issues related to the lack of sufficient, appropriate evidence, and the potential impact on the audit.) (Chapter IIID)

Audit Risk - (Include any actions to reduce audit risk,[1] such as increasing the scope of work, adding experts, adding additional staff, changing the methodology to obtain

---

[1] Audit risk is the risk that auditors will not detect a mistake, inconsistency, significant error or fraud in the evidence supporting the audit. (GAS 6.05)

additional evidence, or aligning the findings and conclusions to reflect the evidence obtained)(Chapter IIID)

FORM 10
NO GO DECISION MEMORANDUM

Audit Title: _____

**Project
Number:** _____

☐   **NO GO** After relevant Design Phase activities were completed, the audit/study appears **unnecessary**. Based on initial findings the audit/study should be discontinued for the following reasons:

_____

_____

_____

_____

_____

_____

_____

_____

Lead Auditor Signature: _____   Date: _____

I concur. This audit, project, or study is no longer required.

Audit Manager/Director

Signature: _____   Date: _____

Signature: _____   Date: _____

Detail Testing Program

Audit Title:	Audit Period:

Audit Objective(s):

-

AUDIT PROCEDURES	W/P Reference	Done by	Reviewed by
Testing Objective 1:			
1.			
2.			
3.			
4.			
Testing Objective 2:			
1.			
Testing Objective 3:			
1.			
Testing Objective 4:			

Audit Program Approved By:

_____   _____
Audit Director   **Date**

Draft Audit Condition
Audit Title

Condition:	**(What is)** Condition is the existing state of affairs and represents a discrepancy between condition and criteria, or "what should be."
Criteria:	**(What should be)** Criteria are standards used to measure performance. Criteria can be in the form of laws or regulations, industry standards, statistics and or historical data.
Cause:	**(Why did it happen?)** Cause is the explanation for the deviation between condition and criteria. Identifying cause is important in order to determine what action is needed to correct the problem.
Effect:	**(What is the adverse impact?)** Effect represents the impact of the discrepancy between condition and criteria. Effect is frequently stated in quantitative terms such as a loss of dollars or productivity.
Recommendation:	**(What should be done?)** The auditors make recommendations to management on actions needed to correct the deficiency. A recommendation is usually the inverse of the cause.

W/P Reference:

This Issue Classified As A:

Report Condition ☐ Condition #
Report Comment ☐ Comment #
Verbal Comment ☐ (give a brief explanation as to why a verbal comment only)

FORM 13

Name of Audit
Review Notes
Planning W/P's or Testing W/P's

W/P #	Review Notes	Item Completed by Auditor(s)

Note: The preparer of the notes shall sign and date the form and indicate that all comments have been satisfactorily addressed.