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Audits Division Overview and Protocols

Need-to-know information for state agencies about undergoing an audit

This document provides an overview of the work of the Oregon Audits Division and establishes protocols for how we interact with the agencies and programs we audit. To effectively do our work, the division must be professional, objective, fact-based, nonpartisan, and equitable in all it does. We are committed to meeting the highest level of professional standards. We perform our work in accordance with Generally Accepted Government Auditing Standards ([“Yellow Book” standards](#)), established by the Government Accountability Office.

Our Mission

The Secretary of State’s mission is to build trust and make a difference. The Audits Division builds trust by providing objective assurance that state government is fulfilling its responsibilities for Oregonians. The Audits Division makes a difference by performing nonpartisan work to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

FINANCIAL AUDITS

Each year, the division conducts an audit of the State of Oregon’s financial statements and it performs the Statewide Single Audit. This body of work ensures the State of Oregon can receive competitive funding rates with public financing and helps the State meet its oversight obligations associated with the billions of dollars it receives in federal funding each year.

PERFORMANCE AUDITS

Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to, among other things, improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. In a performance audit, the auditors measure or evaluate the subject matter of the audit and present the resulting information as part of, or accompanying, the audit report.

INFORMATION TECHNOLOGY AUDITS

IT audits fall into four major categories. General control reviews evaluate the controls designed to protect the environment in which systems operate. Application control reviews look at specific computer applications to see if the data remains complete, accurate, and valid throughout its life cycle. Security

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reviews can focus on an agency's overall security framework or on specific aspects of security. Finally, system development reviews evaluate controls governing acquisition, implementation, and maintenance of computer systems.

GOVERNMENT WASTE HOTLINE

The division receives and investigates allegations related to improper governmental activities by state employees or agencies via the Government Waste Hotline. After we substantiate an allegation, we report the details to the agency and other appropriate authorities.

MUNICIPAL AUDIT PROGRAM

Many local governments contract with accounting firms to audit their financial statements. To ensure these audits are properly conducted, the division administers Municipal Audit Law and its requirements. We also evaluate the audit reports and reviews of these local governments and the auditors' workpapers for compliance with prescribed standards.

Engaging with state agencies

The division is committed to maintaining constructive and regular communication and collaboration with agencies. These communications may take several forms, including meetings between members of the Audits Division and agency leadership, management, personnel, and specific communications with an agency related to planned and ongoing work.

Information about an audit's potential findings, conclusions, or recommendations is protected against public disclosure until a final report has been completed and released.¹

Notification of audit work

Before beginning any new engagement, we generally notify the agency of the work to be undertaken. To the extent practical, notice to an agency will identify the:

- General objective or purpose for the work;
- The team performing the engagement, including the audit manager, lead auditor, and any staff;
- Points of contact, such as name, phone, and email; and
- Initial agency or program information we would like.

If the objectives of the work to be performed change significantly, we will notify the agency. The division will generally provide written notification to the agencies involved. For certain types of work to be performed at an agency, we may initially provide only email notification. Such work includes:

- Preliminary work on a topic prior to beginning a formal audit, to determine whether the audit topic is worthy of committing audit resources, or

¹ ORS 192.345(37)

- Contacting agency personnel to gather additional information regarding an audit topic when the agency is not the subject of the audit (auditee).

Entrance conference

An entrance conference is a meeting the division holds with agency officials at the start of an engagement. We anticipate the agency will arrange for its personnel to be available for an entrance conference within 10 working days after receiving our request for a meeting. At the entrance conference, we will discuss:

- The reasons for the work;
- Roles and responsibilities of our staff;
- Information needs (e.g., data and access to agency officials);
- Scope and key objectives, to the extent known;
- Sites where we expect to conduct work, when known; and
- Need for any precautions to protect data and information.

To the extent possible, we will provide the agency with an estimate of how long the work will take.

During the entrance conference, we will ask agency officials to designate a key contact to assist, as applicable, in obtaining temporary office space if necessary, as well as telephone and internet access needed to complete our audit. In addition, division staff may request agency officials identify knowledgeable agency personnel and discuss the kinds of information that would be useful to carry out the audit, such as relevant studies or electronic data.

The attendance of key agency officials — those responsible for work related to our audit objectives — at the entrance conference enhances the opportunity for a substantive exchange of information. In certain cases, the division's work involves crosscutting issues at more than one agency. For such audits, we may hold the entrance conference with applicable central agencies, such as the Department of Administrative Services. If requested, we will consider including all agencies under audit at a single entrance conference or holding separate entrance conferences with specific agencies.

Generally, the division will not hold an entrance conference when we are conducting preliminary research on a topic where an audit is not yet certain, performing work that is closely related to ongoing work, or updating the implementation status of recommendations made in previously issued reports.

Update and findings meetings

After beginning the engagement, to the extent appropriate, division staff will hold regular update meetings. As the end of fieldwork approaches, our staff will hold a findings meeting. The findings meetings, as well as any updates, will be held with agency officials or designees who have oversight for issues relating to the audit objectives. The purpose of these meetings is to apprise agency management of the results of work to date and ensure that our staff has been provided with a full understanding of the information they have gathered and its relevance to the engagement's objectives. In deciding whether to hold an update meeting, we will consider the preferences of the agency officials, the extent of work completed since the last update, and the complexity of the issues at hand.

This process is not intended to preclude any additional meetings that may be necessary to clarify audit issues or questions. At update or findings meetings, we may identify the need for additional information. In addition, as appropriate, these meetings may cover the extent to which data and documentation have been made available and access to relevant agency officials has been provided. Generally, any discussion of conclusions or potential recommendations at update or findings meetings is considered preliminary. Any additional input or context that the agency can provide at these meetings is appreciated and will typically lead to better conclusions and recommendations.

Working draft and exit conference

After fieldwork has been completed, the division will prepare a working draft of the audit report for agency review and discussion. Shortly after sending the working draft, a member of the audit team will contact the agency to schedule a formal exit conference to discuss the draft. We will work with the agency to schedule the exit conference within 10 working days of sending the working draft.

The purpose of the exit conference is to resolve any questions regarding the critical facts and key information supporting our analysis, findings, and recommendations. In addition, questions and concerns about the wording and presentation of the report can be addressed. Auditors responsible for the engagement and agency officials responsible for the audited areas are expected to attend the meeting.

The division will try to reach agreement on any changes to the report. However, we may need additional time if the agency disagrees with our draft findings, conclusions, and recommendations. We will accept further explanations from agency officials in support of the agency's position, but the agency is expected to provide documented evidence supporting its position if it materially affects the content of the report.

After considering information and feedback the agency provides at the exit conference, we will make any necessary changes to the working draft. We will then send a final response draft to the agency.

Agency response to final draft

Generally, we expect that the agency will respond in writing to the findings and recommendations in the final response draft within five working days. The division reserves the right to issue the report to the public without an agency response if the agency does not respond within the time allotted. In such cases, we will state in the report that we provided the agency with the opportunity to respond, but the agency declined to do so or did not do so within the required timeframe.

The response, signed by the responsible agency official should be provided as a scanned electronic file. The agency should include in its response the actions it has taken or plans to take in response to the audit report and an estimated timeframe for their implementation. The agency's response will be included in the final report. The division reserves the right to respond to an agency's response if the contents of the response are not factual or if, in the judgment of the director, the response requires clarification. We will notify the agency of the disagreement prior to the release of the report and will give the agency the opportunity to amend its written report response.

Publicly sharing audit work

The division's draft products are subject to further review and revision and are not to be considered final. Early disclosure could result in the dissemination of erroneous information or recommendations. Therefore, the agency should limit and control the distribution of draft reports. In addition, except for the final response draft, draft reports and audit documentation are exempt from public disclosure until the final audit report has been released.

The division has structured documentation request and disclosure procedures to help minimize misinterpretations of audit information, and to preserve the confidentiality of information protected by statute. Accordingly, division and agency officials should notify each other of any external requests received before finalization of the audit report to ensure proper handling.

The public report

The written public report is the Audits Division's primary means of communicating the results of each audit. The division will provide the agency with the expected date for releasing an audit report.

In some instances, statutes preclude the public release of specific audit results of a confidential nature. In those instances, a separate confidential report will be prepared and forwarded to the audited agency. At the discretion of the Secretary of State, and appropriate delegates, the confidential report may be provided and sent to other interested decision-makers.

The public report will be posted on the [Secretary of State website](#).

Legislative testimony

Legislative committees may request the division prepare testimony and appear at hearings. When the division testifies about a publicly released report or management letter, the testimony will be fact-based and the conclusions and recommendations will mirror those contained in the written report or management letter.

Recommendation follow-up

The division's recommendations are intended to improve the economy, efficiency, and effectiveness of an agency's operations and to improve the accountability of state government for the benefit of Oregonians. Consequently, we monitor and report on agency progress in implementing recommendations as a measure of our results. We ask agencies to classify the status of recommendations in one of the following categories:

- Implemented
- Partially implemented
- Not implemented

The division will follow up on recommendations as part of recurring audit work or as an activity separate from any other audit activity. When following up on recommendations, we ask the agency to provide

evidence of implementation. Auditors will then assess the evidence and make an independent judgment call as to the status of recommendation implementation.

Right of access to information

The division expects unfettered access to agency information.

Per **ORS 297.210**: The Secretary of State may subpoena witnesses, require production of books and papers and renderings of reports in such manner and form as the Secretary of State requires and may do all things necessary to secure a full and thorough investigation.

Oregon Revised Statutes state, and Attorney General opinions have held, the division is entitled access to any agency information that, in the judgment of the State Auditor, is necessary for completion of the audit work.

That said, we are committed to minimizing the time and resources we require of an audited agency. Our personnel understand an audit, and any agency resources needed in support of an audit, is not a normal part of the agency's business. Therefore, we will do what we can to facilitate an efficient information exchange. This should include advance notification of such things as:

- Interviews with agency personnel, other than a quick follow-up;
- A download of data that requires agency resources or assistance;
- Information system access; and
- Entrance and exit conferences.

In return, we expect the agency to provide us direct access to agency personnel, documents, or electronic information needed for the timely completion of the audit.

If the agency has reason to hold information confidential, we will similarly hold the information confidential. The division is regularly asked to maintain the confidentiality of sensitive or legally confidential information. Our processes and practices are designed to secure confidential information so that it cannot be accessed or used improperly.

Press policy

The Audits Division may issue a press release that highlights the results of reports. Generally, a press release will be issued on the same day the corresponding report is released. It will be provided to all major media outlets in the state and will also be posted on the Secretary of State website.

In addition to the press release, division contacts will be available to help the media understand a particular audit topic once the report has been released. The following guidelines apply for press contacts:

- The first point of contact for press inquiries is the Secretary of State's Communications Specialist or the Secretary of State's Deputy Chief of Staff for Communications. Questions specific to the Audits Division will be handled by the Communications Specialist.
- Contacts with the press will generally be handled at the management level.

- Division personnel may give a quote or do an on-camera or on-the-air interview with the approval of the Audits Director and Communications Specialist.

About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The Secretary of State has constitutional authority to audit all state officers, agencies, boards and commissions.