



Florida Inspectors General

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Chief Inspector General

WHAT TO EXPECT IN AN **EXTERNAL** AUDIT

An Overview of the Audit Process Performed by Entities **Outside** a State Agency

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What to Expect in an External Audit

- Introduction
- What is an External Audit?
- External Audit Agencies
- External Audit Process



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Introduction

The individual Offices of Inspector General (OIG) are responsible for the oversight of external audit activities at the various state agencies and serve as the entry point for external audit agencies. Section 20.055 (2)(g), Florida Statutes, provides that the OIG in each state agency is to **ensure effective coordination and cooperation** between the Auditor General, Federal auditors, and other governmental bodies **with a view toward avoiding duplication.**



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Introduction

It should be the policy of state agencies to fully comply with all financial, administrative, and audit requirements that arise from their role as recipients of public funds; and to cooperate fully with external agencies.



Introduction

External agencies may use other terms such as appraisal, evaluation, review, inspection or survey to describe their engagement. The audit coordination procedures followed by a state agency may differ from project to project depending on the objectives of the external engagement.



What Is An External Audit?

State agencies are subject to the scrutiny of several different audit entities. External audits refer to those performed by auditors that are not agency employees.

Some external audits are statutorily required. Others are performed as a result of the agency or a specific program being identified as high risk in the external auditors' risk assessment.



What Is An External Audit?

External Audits can be broadly grouped into two categories:

- *Financial Audits* determine the reliability and accuracy of financial records
- *Performance Audits* determine the economy and efficiency of resources (includes operational and compliance audits)



What Is An External Audit?

External Audits are conducted in accordance with various auditing standards, such as *Governmental Auditing Standards* (Yellow Book) and *The Program Evaluation Standards*.



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External Auditors

Federal Agencies:

- Offices of Inspectors General
- Program Staff
- Department of Health and Human Services (DHHS)
- U. S. Department of Education (USDOE)
- Federal Emergency Management Agency (FEMA)
- General Accounting Office (GAO)
- And many more...



External Agencies

State Agencies:

- Office of the Auditor General
- Office of Program Policy Analysis and Government Accountability (OPPAGA)
- Department of Financial Services
- Other state agencies (Grantors)

Entities Providing Other Audit Services:

- Consultants and auditors hired by state agency management for specific objectives



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The External Audit Process

While each agency's audit process is specific to its own environment, most audit processes are similar to those listed in the following steps. OIG Auditors should be involved throughout the process.



The External Audit Process

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Audit Opening

- Notification / Engagement Letter
- Initial Discussion / Preliminary Survey
- Development of Scope, Objectives and Audit Plan
- Opening Conference / Entrance Conference

Performing the Audit

- Fieldwork

Reporting Results

- Working conferences to discuss findings as they are developed
- Interim Findings / Draft Report
- Closing Conference
- Final Audit Report

Corrective Action

- Action Plan
- Follow-Up Audit/Review



The External Audit Process

The OIG's involvement in the Field Work phase includes:

- Coordination of work space and equipment for the audit staff
- Ensure auditors and agency staff are aware of the procedures for providing documents to the auditors



The External Audit Process

- Monitor timeliness and completeness of agency's responses to auditors' requests for information, memos of understanding, documentation, access to confidential data, computer system access, etc.
- Attend interim/working conferences when external auditors discuss findings with program staff



The External Audit Process

The OIG's involvement in the Reporting phase includes:

- Set up exit conference with agency management
- Ensure the preliminary audit findings are provided by to the correct staff for response



The External Audit Process

- Coordinate the resolution of any concerns staff/management have regarding the preliminary findings
- Monitor timeliness and completeness of agency's response to the preliminary findings. Review response for clarity and tone
- Ensure the final report is distributed to the appropriate staff and managers.



The External Audit Process

The OIG's involvement in the Reporting phase:

- Section 20.055 (5)(h), Florida Statutes, provides that the OIG shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General (OAG) or the Office of Program Policy Analysis and Governmental Accountability (OPPAGA).



The External Audit Process

- Not later than 6 months after the OAG or OPPAGA publishes a report on the state agency, the OIG shall provide a written response to the agency head on the status of corrective actions taken. The OIG shall file a copy of such response with the Legislative Auditing Committee.



The External Audit Process

- A best practice would be for the OIG to provide a written response to the agency head on the status of corrective actions taken regarding all external audit reports.
- Sometimes external auditors will perform a follow-up review or audit. The OIG should act as the audit liaison for this project.



Where Do I Go For Help?

- Contact your Inspector General or Director of Auditing OIG for assistance on any matter related to an external audit.





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Questions?

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