

What to Expect from an OSC Audit

Ingrid M. Otto, CPA, Auditor 2
Division of Local Government and School Accountability



New York State Comptroller
THOMAS P. DINAPOLI



1

1

Our Mission

- To improve the condition of local governments and the communities they serve.
 - Risk Assessments
 - Audits
 - Reviews (Tax Cap/ Budget/Consolidation)
 - Information
 - Training

New York State Comptroller
THOMAS P. DINAPOLI



2

1

Authority

- Constitutional responsibility to oversee the fiscal affairs of local governments.
- General Municipal Law
 - Section 33 – To Examine
 - Section 35 – To Report

New York State Comptroller
THOMAS P. DINAPOLI

3

Why do an Audit?

- Meet legal requirements
- Provide oversight
 - Board/ Supervisory/ OSC
- Ensure the proper handling of public moneys
- Identify improvement opportunities
- Create a forum to express concerns
 - COMMUNICATION

New York State Comptroller
THOMAS P. DINAPOLI

4

Types of Audits

- Performance Audits
- Financial Statement Audits

New York State Comptroller
THOMAS P. DINAPOLI

5

Performance Audits

- Performance audits provide objective analysis to **assist management** and those charged with governance and oversight in using the information to **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.**

New York State Comptroller
THOMAS P. DINAPOLI

6

Performance Audits (cont.)

Provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

- What is supposed to be? (Criteria)
- What actually is? (Condition)
 - What evidence is there to support differences?
- What could happen or what did happen as a result of the differences?(Effect)
- Why is there a difference? (Cause)
- What should you do differently? (Recommendation)

New York State Comptroller
THOMAS P. DINAPOLI

7

Types of Performance Audits

- Program effectiveness and results
 - Program meeting goals?
- Economy and efficiency
 - Processes/practices in need of improvement?
- Internal control
- Compliance with legal or other requirements
 - Federal, State, local, etc.
- Providing prospective analysis, guidance or summary information

New York State Comptroller
THOMAS P. DINAPOLI

8

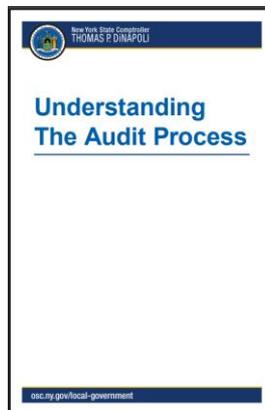
Applicable Standards

- Generally Accepted Government Auditing Standards (GAGAS)
- Promulgated by the Comptroller General of the United States (GAO)
 - General Standards
 - Fieldwork Standards
 - Reporting Standards

New York State Comptroller
THOMAS P. DINAPOLI

9

The OSC Audit



<https://www.osc.ny.gov/files/local-government/audits/pdf/underaudit.pdf>

New York State Comptroller
THOMAS P. DINAPOLI

10

Conducting the Audit

- Notification
- Entrance conference
- Fieldwork
- Reporting
- Exit and response

New York State Comptroller
THOMAS P. DINAPOLI



11

Notification

- To local government officials
- A phone call
- An email

New York State Comptroller
THOMAS P. DINAPOLI



12

Sample Data Request

Files Type	Activities included
Board Meeting Minutes	Prior and Current Fiscal Years
Adopted Budgets	Last 3 Years
Audit Reports, Management letters and audited financial statements	Last 3 Years
Annual Financial Reports	Last 3 Years
List of all bank accounts by bank and account number	Prior and Current Fiscal Years
Bank Reconciliations	Last Completed Month
General Ledger Activities	All Activities Prior FY to Current FY
Cash Receipts Activities	All Receipt Activities Prior FY to Current FY
Cash Disbursement Activities	All Disbursement Activities Prior FY to Current FY
Vendor Master	A listing of all Vendors used by the District; active and inactive
Payroll Activities	Disbursements to all employees for last year
Report of Reserve funds	Most recent
Employee Master Listing	A listing of active and inactive employees
Monthly State Retirement Reports	Last Completed Month
ERS Standard Workday	Any standard workday and reporting resolutions
Most recent interim financial reports	Most recent
Long-Term Financial Plans	Most recent
Capital Projects	Prior and Current Fiscal Years
Written Policies and Regulations	Current
Outside Business Interests	Prior and Current Fiscal Years
Employee manual or handbook	Current version
Collective bargaining agreements	Covering audit period
Key personnel employment contracts	Covering audit period
Insurance and bonding policies	Covering audit period

New York State Comptroller
THOMAS P. DINAPOLI

13

Entrance Conference

- Invite key local government officials:
 - CEO and CFO initially
 - 1-on-1 with anyone else notified (board/clerk/etc.)
- Discuss audit process:
 - Staff, timeline, procedures, documentation, needs of staff, access to employees
- Discuss any concerns of Local Government officials:
 - Fraud, programs, etc.

New York State Comptroller
THOMAS P. DINAPOLI

14

Risk Assessment

- Deciding who and what to audit.
- Research and information gathering.
- A mile wide, and an inch deep...

New York State Comptroller
THOMAS P. DINAPOLI

15

Planning

- In General:
 - Laws and Regulations
 - Internal Control
 - Purpose and Goals
 - Efforts
 - Program Operations
 - Outputs
 - Outcomes

New York State Comptroller
THOMAS P. DINAPOLI

16

Planning (cont.)

- Understand and test controls.
 - Create our audit procedures.
- Focus and finalize our objective more.
 - Narrow our scope areas.

New York State Comptroller
THOMAS P. DINAPOLI

17

Fieldwork

- Compare criteria to what is actually occurring.
- Determine why there is a “difference.”
- Identify any effects of the “difference.”

New York State Comptroller
THOMAS P. DINAPOLI

18

Fieldwork (cont.)

- Collect, analyze and test data such as:
 - Bank account reconciliations
 - Receipts and disbursements
 - Contracts
 - Reports

New York State Comptroller
THOMAS P. DINAPOLI

19

End of Fieldwork

- Informally discuss with local government officials issues we have identified.
 - Verbal findings
 - Clarification of written findings
 - Attempt to close gaps

New York State Comptroller
THOMAS P. DINAPOLI

20

Reporting

- Draft Audit Report
- Exit Conference
- Response
- Final Release

New York State Comptroller
THOMAS P. DINAPOLI



21

Exit Conference

- Held after fieldwork is completed.
- Includes select local government officials.
 - Similar to entrance conference
- Includes a draft copy of the written report, distributed to the officials.

New York State Comptroller
THOMAS P. DINAPOLI



22

Exit Conference (cont.)

- Provides an opportunity to clarify any issues in the draft report.
- Discuss findings and recommendations.

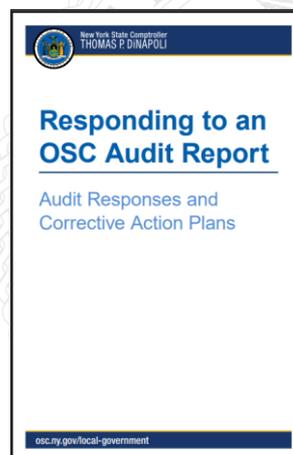
New York State Comptroller
THOMAS P. DINAPOLI

23

Municipality/District Response

- Officials have 30 days to respond in writing.
- The response is included in final report.

<https://www.osc.ny.gov/local-government/audits/responding-osc-audit-report-audit-responses-and-corrective-action-plans>



New York State Comptroller
THOMAS P. DINAPOLI

24

Report Distribution

- Provided to audited municipality prior to public release.
- Is a public document.
- Includes formal response from audited municipality.

New York State Comptroller
THOMAS P. DINAPOLI

25

Corrective Action Plan

- GML, Section 35
- 90 days from issuance of final report
- Filed by Governing Board
- Describe actions (to be) taken or reasons why not taking corrective action.

New York State Comptroller
THOMAS P. DINAPOLI

26

Common Audit Findings

- Financial Condition Management
- Departmental Operations
- Information Technology
- Procurement and Claims Audit
- Employee Leave Time

New York State Comptroller
THOMAS P. DINAPOLI



27

Questions?

Division of Local Government and School Accountability
localtraining@osc.ny.gov



New York State Comptroller
THOMAS P. DINAPOLI



28

28