



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Understanding The Audit Process

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## Office of the New York State Comptroller

Division of Local Government and School Accountability

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The Division of Local Government and School Accountability (Division) will be performing an audit of your governmental organization. As a public official entrusted with handling public resources, you are responsible for using these resources effectively, efficiently, economically, ethically and equitably. The audit process is an integral part of governmental oversight by providing an objective and independent review of your program stewardship and fostering accountability to the residents of New York.

We are providing this brochure to familiarize you with the audit process and provide insight into the key stages of its development, from the earliest stages to the final report. This brochure also describes our audit authority and the professional auditing standards followed. This information is intended only to highlight some of the significant elements of the audit process. Our staff will be happy to answer your questions as they come up during the process.

We request your cooperation during this process to ensure that the essential facts are expeditiously collected and accurately interpreted. Working cooperatively will help make this process easier and less time consuming for you and produce more meaningful results for your constituency.

Our staff will schedule periodic meetings with you or the liaison identified by your organization to keep you fully informed of our progress. In addition, you may contact the on-site auditor or any member of our management team at any time for an update on the audit's progress. To download a copy of this publication go to [www.osc.ny.gov/files/local-government/audits/pdf/underaudit.pdf](http://www.osc.ny.gov/files/local-government/audits/pdf/underaudit.pdf).

# Mission and Authority

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## Our Mission

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The Division's mission is to serve residents' interests by improving the fiscal management of local governments and schools<sup>1</sup> in New York State.

To achieve our mission, we have developed the following goals:

- Enable and encourage local government and school officials to maintain or improve fiscal health by increasing efficiency and effectiveness, managing costs, improving service delivery, and accounting for and protecting assets.
- Promote government reform and foster good governance in communities statewide by providing local government and school officials with up-to-date information and expert technical assistance.

## Constitutional and Statutory Authority

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Pursuant to the State Constitution (Article V, Section 1), the New York State General Municipal Law (Article 3), and Section 2854 of the New York State Education Law, the State Comptroller has the responsibility to oversee the fiscal affairs of local governments and schools. One part of this responsibility is to periodically examine the fiscal affairs of local governments and schools through audits. Our audits are designed to provide information to officials so that they can perform their financial stewardship responsibilities effectively.

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<sup>1</sup> In this brochure, "local governments and schools" generally refers to all municipal corporations (counties, cities [outside of New York City], towns and villages), school districts, charter schools, boards of cooperative educational services (BOCES), district corporations (e.g., fire districts), public libraries and other such entities that are subject to audit by the Office of the State Comptroller.

# Shared Commitment

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We understand the audit process can be a trying time for you and your staff. Our auditors are always seeking ways to reduce disruption to your operations and to minimize the additional burden on your staff. We seek and welcome your cooperation during the coming audit as well as your constructive suggestions for improving the audit process.

## Access to Records

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During the audit, our staff will require access to records, files and other information to complete the audit effectively. This may include information that various laws define as confidential and/or proprietary. The Comptroller's right to access this information required for audit purposes is derived from General Municipal Law and other statutes. Please advise audit staff if requested information is confidential, as we have procedures to protect such information.

## Audits

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We conduct our performance audits in accordance with generally accepted government auditing standards (GAGAS). Performance audits provide findings or conclusions based on an evaluation of evidence against criteria to assist local government and school officials in improving program performance and operations, reducing costs and contributing to public accountability.

# Audit Process

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**An audit has several interrelated stages and activities.**

## Audit Selection

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A risk assessment process generally precedes most of our audits. The risk assessment process includes the gathering and analysis of high-level information about the fiscal performance and operations of local governments and schools.

## Entrance Conference

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An entrance conference establishes a climate of cooperation, informs local government and school officials and other top management about the audit process and offers officials the opportunity to provide input.

## Audit Survey

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The audit team conducts a survey of organizational and operational information and may conduct a risk assessment to develop a more complete understanding of the organization and determine the area(s) that will be audited. The audit team will discuss the objective(s) of the audit at the conclusion of the audit survey.

## Fieldwork Phase

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This phase consists of the focused audit effort and usually comprises the largest amount of time. The auditor in charge supervises the day-to-day activities of the on-site audit team. The audit team will meet with officials, review necessary supporting documentation and conduct other audit procedures as necessary to complete the audit fieldwork.

## Preliminary Audit Findings

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After completing the fieldwork phase for the audit objective(s), the audit staff will discuss our preliminary findings and conclusions with management and other appropriate officials.

## Draft Audit Report and Exit Conference

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At the completion of our audit fieldwork, we will send a draft audit report with our written findings and recommendations, including instructions for responding to our audit, to each member of the governing board, the chief executive officer and any other appropriate local officials. Audit team members will schedule an exit conference with appropriate local government or school management to discuss these findings and recommendations. The exit conference provides officials with the opportunity to clarify potential issues in the draft audit report before the final version is released.

## Local Official Response

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Within 30 days of the transmittal of the draft audit report, local government and school officials should formally respond with an official position concerning the audit findings and recommendations or, at a minimum, should identify any factual differences with the report. We include the formal response to our audit findings as an appendix to our final audit report.

## Audit Report Distribution

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Final audit reports are public documents available by request, although the audit report will be provided to the audited local government or school before they are publicly distributed. Audit reports are available on the Office of the State Comptroller's (OSC) website and are provided to media representatives, some with accompanying press releases.

# Corrective Action Plan

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New York State Education Law and the Commissioner of Education's regulations **require** that the governing boards of school districts and BOCES prepare and submit a corrective action plan (CAP) in response to all final audit reports issued by OSC. The CAP must be filed with OSC and the New York State Education Department. With respect to each recommendation, the CAP should include a statement of the corrective action taken or proposed to be taken. To the extent practicable, the implementation of the CAP should begin no later than the end of the next fiscal year. In addition to school districts and BOCES, fire districts are also subject to filing a CAP with OSC pursuant to the New York State Town Law.

For other local governments, the General Municipal Law provides that the governing board may prepare a CAP to any report issued by OSC. Similarly, while not required, we encourage charter schools to submit a CAP to OSC. Your CAP should include, with respect to each recommendation, a statement of the corrective action taken or proposed to be taken. If you decide not to take corrective action to address one or more of the recommendations in our report, you should explain your reasons in your response to the draft audit report.

For additional information on preparing a response to an audit response and a CAP, please see our publication *Responding to an OSC Audit Report* at [www.osc.ny.gov/files/local-government/audits/pdf/respondaudit.pdf](http://www.osc.ny.gov/files/local-government/audits/pdf/respondaudit.pdf).

# Other Engagements

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In addition to audits, we perform other engagements as part of our role to oversee the fiscal affairs of local governments and schools. These engagements follow a similar process, although they may not result in formal audit findings, conclusions and recommendations. Any differences in process will be clearly described and explained at the outset of the engagement.

# Contacts



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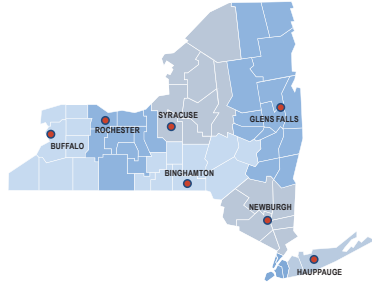
## Division of Local Government and School Accountability

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**Local Government and School Accountability  
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**Division of Legal Services**  
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**New York State & Local Retirement System  
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Technical Assistance is available at any of our Regional Offices

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