

Auditing to improve outcomes when problems cross program and jurisdictional boundaries

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Background

The GAO initiated a multi-jurisdictional effort to test an approach to coordinated audits of federal, state, and local government auditors.

Several volunteer states, cities, and counties agreed to participate and discussions began about the scope, objectives and coordination practices.

Observations from a state audit perspective, not intended to represent any others

Housing conclusions

State of Oregon, City of Portland, and Multnomah County:

- No conclusions about specific duplication, fragmentation, or overlap among the three layers of government
- Other themes were identified

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Oregon housing themes

- Inconsistent data collection
- Inconsistent eligibility requirements
- Local competition not collaboration
- Limited local resources split project funding

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Oregon pilot observations

- Helpful in noting where outcomes were not aligned across programs in the same areas
- Sharing information across jurisdictions can provide context and a root cause
- Comparable jurisdiction information is useful to obtain benchmarks and best practices.

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Lessons learned

- The pilot objective was difficult to settle upon, with several competing ideas
Work collaboratively with local and state jurisdictions to set the general objective early in the project.
- The scope of programs selected was smaller than the objective to identify duplication, fragmentation, and overlap.
Start from a proposed program area, seek collaboration, and then conduct preliminary survey work to identify issues for discussion and setting the scope

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- Scope was defined differently by each jurisdiction due to varying circumstances

Involve all jurisdictions in scoping to ensure that everyone can use the project to benefit their office

- Time constraints limited the depth of information on the topic

Select a scope that touched all levels of government (e.g., Section 8), or a topic that could be included in full audits by all

- Including all stakeholders is important to produce a complete picture of the topic area

Ensure that all jurisdictions understand the aspects of the proposed scope

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- The information was useful for a GAO audit, but partner jurisdictions did not conduct further audit work

Merging state, local and federal interests into a single audit approach would have required more discussions built upon more survey work, though mutual benefit might still have been elusive.

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Considerations about coordination

- The most tenacious problems don't recognize organizational boundaries, of agencies or auditors
- By design, many programs cross jurisdictional boundaries, e.g., federal funding to state to local to provider.
- Auditors play a key role in evaluating compliance and internal controls
- But they seldom consider better alignment of programs across layers of government.

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Four coordination paths to consider

1. A shared audit objective and methodology
2. Auditing fragmentation, overlap, and duplication among federal, state, and local activities
3. A coordinated audit methodology for addressing wicked problems
4. A standard audit of a typical program with federal, state, local auditors talking

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1. A shared audit objective and methodology

- Audits applying a common methodology toward the same objective in their own jurisdiction during a similar time period
- 10 states - home health care, 12 states – water quality programs
- Common interests may be different:
 - Federal auditors - policy effectiveness
 - State auditors - allocation and accountability issues
 - Local government auditors - effective service delivery, management perspective.

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- Coordination poses many challenges:
 - Staff capacity, expertise
 - Timing
 - Leadership
- May not need to be synchronous

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2. Auditing fragmentation, overlap, and duplication – government levels

- Applying GAO methodology for identifying fragmentation, overlap, and duplication
- Activities may also need attention across the federal, state, and local levels
- Structure may be set in laws of multiple governments, collective bargaining agreements, physical locations, information systems
- Structures vary in state and local governments
- Synchronous audits would be most beneficial

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3. Coordinated audit methodology of a wicked problem

- Scope and resources extend across boundaries of multiple jurisdictions and organizations, over an extended time
- More participating audit organizations, much more complex audit plan





- Because of magnitude a wicked problem needs many audit agencies, asynchronous audits are most feasible
- The Single Audit could not be an effective model for the range of administrative and managerial issues

4. A standard audit of a typical program with auditors talking

- The most achievable coordinated audit uses increased communication
- Contacting auditors in other jurisdictions or levels of government with experience of the topic
 - GAO routinely reaches out
 - Local and state auditors study previous audits
 - More timely communications could match these peer auditors for sharing methods, criteria, and context

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- Communications challenges:
 - Some organizations are reluctant to publicly share their audit schedule
 - Workpaper confidentiality is occasionally cited as a reason
 - Some inspectors general make no effort to contact auditors of the jurisdiction they are examining, or share their audit results
 - Each organization schedules its work independently and the audits are asynchronous

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Government Auditing Standards set expectations for coordinated audits.

“6.36 Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives...”

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“...When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, performance audits, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented.”

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“6.40 Auditors should determine whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the current audit objectives. The results of other auditors’ work may be useful sources of information for planning and performing the audit....”

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“...If other auditors have identified areas that warrant further audit work or follow-up, their work may influence the auditors’ selection of objectives, scope, and methodology.”

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A2.02.g. notes one possible objective of a performance audit is “assessing the extent to which programs duplicate, overlap, or conflict with other related programs.”