

Adding Technical Experts to the Audit Team: Who, When and Why?

Examples of success from two audits at JLARC:

- Review of Oil Spill Risk and Funding Mechanism
- Workers' Compensation Claims Management

Presentation to
Pacific Northwest Intergovernmental Audit Forum

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Joint Legislative Audit & Review Committee

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Technical Experts on Your Audit Team Can Add to the Audit in Several Ways



- Questions to consider:
 - ♦ Who are these people and how do I find them?
 - ♦ When should I bring them on and what will I have them do?
 - ♦ Why is it important?

Who are these technical experts anyway?

And how do I find them?

- Leaders of Research
- Identify during Pre-Audit/
Study Pre-planning Phase
 - ◆ Literature/Journals
 - ◆ Federal Government Research Confabs
 - ◆ Topical Area Association Research Arms
 - ◆ Conference Publications
 - ◆ Universities
 - ◆ Auditee

GAGAS General Standards: Professional Judgment

GAGAS 3.63

Application of collective knowledge, skills, and experiences. May involve collaboration with other stakeholders, external specialists...



When should I bring them on?

- Early on consider collective experience of the team
- Other factors to consider –
 - ◆ Highly technical area
 - ◆ Advanced level of knowledge needed to:
 - ▶ Understand data?
 - ▶ Apply appropriate methodologies?
 - ▶ Recognize flawed or accurate information?
- Level of interest or controversy associated with topic area

General and Fieldwork Standards: Assess Risk – Provide Reasonable Assurance

GAGAS 3.66 and 6.05 and 6.07



Consideration about audit team's collective experience...overall understanding sufficient to assess the risks that the subject matter of the audit ...

Factors impacting audit risk include time frames, complexity, or sensitivity...



What do we want the consultant to do?

- We want their expertise on our team
- Engage them as our technical advisor –
- Explore and help develop unique study methodologies
 - ◆ Partner on developing scopes of work for RFPs (for other consultants)
 - ◆ Advise on consultant proposals
 - ◆ Review and comment on technical soundness of consultant or staff work products

Fieldwork Standards: Using the Work of Others

GAGAS 6.42 and A3.10.(5)



Some audits may necessitate the use of specialized techniques or methods that require the skills of specialist.

Assess the professional qualifications and independence.



How did this add interest to the audit work?

- Audit staff opportunity to learn from experts about their field of study
- Opportunity for experts to participate in a non-partisan, independent legislative study
- Audit staff and technical expert cooperate to create a product that is technically rigorous and understandable
- Legislators interested in the depth of knowledge and information provided
- Legislators and stakeholders satisfied with product

Study Links and Contact Info

JLARC Studies:

- [Review of Oil Spill Risk and Funding Mechanism](#)
- [Workers' Compensation Claims Management](#)

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Adding Technical experts to your audit team

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PNIAF -- March 2014

When to engage consultants

- specialized skills or training needed
- expert credibility – spread the risk
- 2nd opinion
- temporarily augment permanent audit staff
- leverage dollars, time and /or staff availability
- specialized or proprietary data



Before you hire a consultant consider

- What you learned in your audit planning work
- What needs to be done- important objectives
- How the scope can be modified to accommodate the skills you have
- How much you or your fellow staff can do
- Are you reviewing quality or quantity?
- Do you have the dollars to hire a consultant/can you afford not to?



Two examples of Portland reports

- Sexual assault detectives
 - Private individual, broad objectives, review quality of investigations
 - Cheap
- Economic development
 - Government organization with proprietary data and narrow scope, just produce data
 - Cheap



Sexual Assault Contractor Scope of Work

Scope of Work

1. The Contractor will provide a written, proposed methodology for conducting the work, which will be agreed to by the City Auditor's staff.
2. The Contractor will review a sufficient number of unsolved case files to determine if there are common elements in the investigations that impede solution. These elements may include, but not be limited to, interview techniques, forensic techniques, report-writing and communication skills, data base and management information usage, timeliness of medical and victim support services, etc.
3. The Contractor's review will take place at the Portland Police Bureau offices.
4. The Contractor will work with the Portland Police Bureau staff and the Auditor's Office to arrange mutually convenient times to review files and to speak with Police Bureau staff when needed.
5. The Contractor will provide a final written report as described below, and a verbal description of findings with the City Auditor staff.



Economic Development Contractor

Scope of Work

- Utilize best practices in analyzing identified and selected databases and data sources.
- As a minimum, Metro DRC will collect and analyze the following data items for the selected set of urban renewal areas and control areas:
 - a. Job Growth (e.g., ES-202 employment change between 1996 and 2004)
 - b. Business Unit Change (e.g., change in number of business firms)
 - c. Wage Change (e.g., change in wage disbursements)
 - d. Business Types (e.g., change in composition of business firms)
 - e. Single Family Residential and Multi-Family Residential change and proportions
 - f. Changes to real market value
 - g. Changes to improvements to land ratio
 - h. Census statistics for applicable area estimates
 - i. Regional statistics

DRC will analyze identified and selected data items but will not evaluate any of the data or information. We define analysis to mean any efforts to identify, select, collect, edit, clean, sort, tabulate, make mathematical or statistical calculations with data items. Evaluation we leave to the Auditor; we define this to be the effort to take our statistical analysis and draw conclusions or make critical connections between the data (product deliverable) and the audit mission.



Incorporating consultant work into your audit report

Consider:

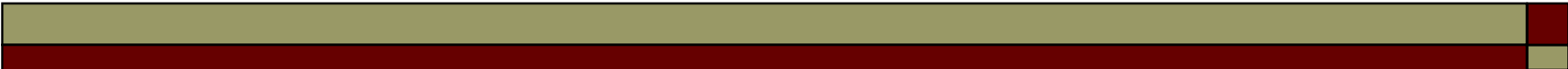
- Who's voice to put the work into
 - Does consultant writing flow with your office style?
- How well did the consultant meet the objectives?
- Who will own the conclusions and recommendations?
 - That is, will you take their report and come to your own conclusions or just take their conclusions? Do you want to take any of the blame, credit or heat?

That will determine whether you:

- Use as an appendix
- Summarize and rephrase
- Do a separate analysis and come to your own conclusions and recommendations
- Etc.



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Pleased find our reports at:

<http://www.portlandonline.com/auditor/>

And follow us on twitter at:

<http://twitter.com/PortlandAudits>



Working With Non-Auditor Consultants

PNIAF

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Genius Consultant

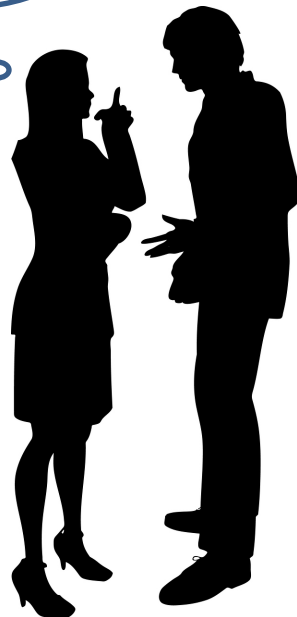
Employ Dijkstra's Algorithm to expand the deadhead matrix. The algorithm is a graph search algorithm that solves shortest path problems, producing a shortest path tree. For a given set of terminals and known deadhead values, the algorithm finds the shortest path between a terminal and every other terminal based on existing deadheads. For example, if the deadhead from A to B and B to C are known, an absolute upper bound for the deadhead from A-C can be obtained by summing (A-B) and (B-C). If A-C is defined as an existing deadhead in the matrix, the upper bound $(A-B) + (B-C)$ can be used as a cross-check mechanism to ensure coherence between defined deadheads. If A-C is not defined in the deadhead matrix, then the upper bound $(A-B) + (B-C)$ can be used as a conservative default value for the A-C deadhead.

Different Animals

Let's make a recommendation about...

Criteria Condition
Cause Effect QA
Evidence Implementation
Root Cause Follow Up

Years of Experience
More Work for the Firm
Seems Right to Me
Root Cause



Auditors



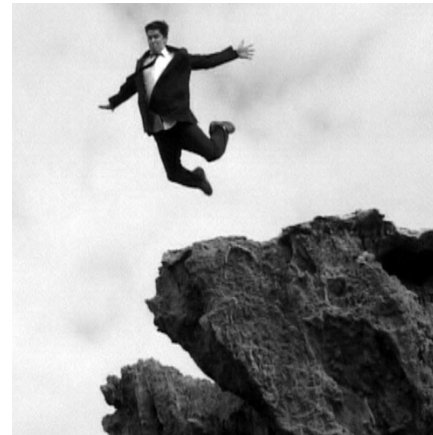
Consultants

Possible Structures

Two models



The handoff



The jumping off point

Issues to address at contract stage:

- Who is the client? (us or auditee)
- Estimating time (too conservative)
- Independence (weak understanding)

Issues to address during work:

- Criteria (because I know)
- Condition (impression rather than deep)
- Cause (skipping this step)
- Effect (skipping this step)
- Recommendation (too general)
- Documentation (not enough)

Remember that consultants...

- ...are smart but not necessarily good communicators (we translate)
- ...can over-promise and under-deliver (we dog)
- ...understand our words but not the professional framework (we reiterate)
- ...go home at the end of the day, but we live here (monitor for train wrecks)

Key skills: relationships, organization, tenacity

Three Strategies: Initial Training

- Government Auditing Standards
- Independence
- Auditee Communication
- Elements of a Finding
- Workpapers
- Quality Assurance
- Auditee Technical Review
- Reporting

Three Strategies: Periodic Affirmations

- Impact
- Evidence
- No Surprises
- Criteria
- Professional Skepticism
- Recommendations

Three Strategies: Periodic Affirmations

Today's affirmation: Evidence!

I seek the highest form of evidence available to me in every situation. In most cases, I seek documentary over testimonial and observation over documentary, and whenever possible, I achieve more than one form of evidence. That is to say, I know and show that formal documents are more trustworthy than the word of one person, and my repeated observations are...

Three Strategies: Periodic Affirmations

Today's affirmation: Evidence!

... in many cases, more trustworthy than either a person's word or a document. I understand that sometimes all I have is the word of other human beings. In these situations, I ensure that the people that I am putting my faith in are the right people with the right knowledge and the right status. Overall, my conclusions are supported by the strongest possible evidence for every situation.

Three Strategies: Difficult Conversations

What is working, what is not?

- Pre-emptive reminder easier than a fail-to-deliver conversation
- Focus on the problem not the person.
- What is the impact of the problem?
- How can we solve this problem?
- Agree on a follow-up plan

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