

# Essential Developments in Government Accountability:

## Real-Time Auditing at the Local Level

Drummond Kahn, City of Portland

July 2017

National Intergovernmental Audit Forum

Washington, D.C.

# The City of Roses -- Portland



# Real-Time Audits and Adding Value

- We'll describe the technique of real-time auditing to audit faster and smarter
- We can look ahead, not just look back
- *Auditing earlier allows more time to fix problems than waiting until failure*





# Options for Real-Time Audits

- Focus scope sooner
- Report results as soon as they're known
- Limit background and scope/methodology sections to the topics central to each specific report
- Audit while the risk can still be reduced
- Focus reporting on audit results, have management's narrative in the response

# Challenges to Real-Time Auditing

- The four biggest challenges to speeding up the audit process are:
- **Tradition** – the notion that good audits with sufficient, appropriate evidence have to take a really long time to complete, so problems can be fully known before the audit is done.
- **Rationalization** – the idea that if an audit took a long time in the past (or another audit office took a long time), we need to take that amount of time to render the same level of assurance.

# Top Four Challenges (Continued)

- **Attitude** – the mindset that, like fine clothing, good audits are “bespoke”, take a lot of specific effort, are each unique and must bear an artistic and special mark.
- **Persistence** – the concept that audit reports must not only withstand criticism of their evidence and conclusions, but that they must inherently contain all information to answer any question a reader or user might think of.

# Top Four Challenges (Continued)

These top challenges make real-time and immediate auditing much more difficult, and the challenges are often “baked in” to our current work processes:

- Tradition
- Rationalization
- Attitude
- Persistence

The challenges can literally “TRAP” the audit process into taking longer than necessary.

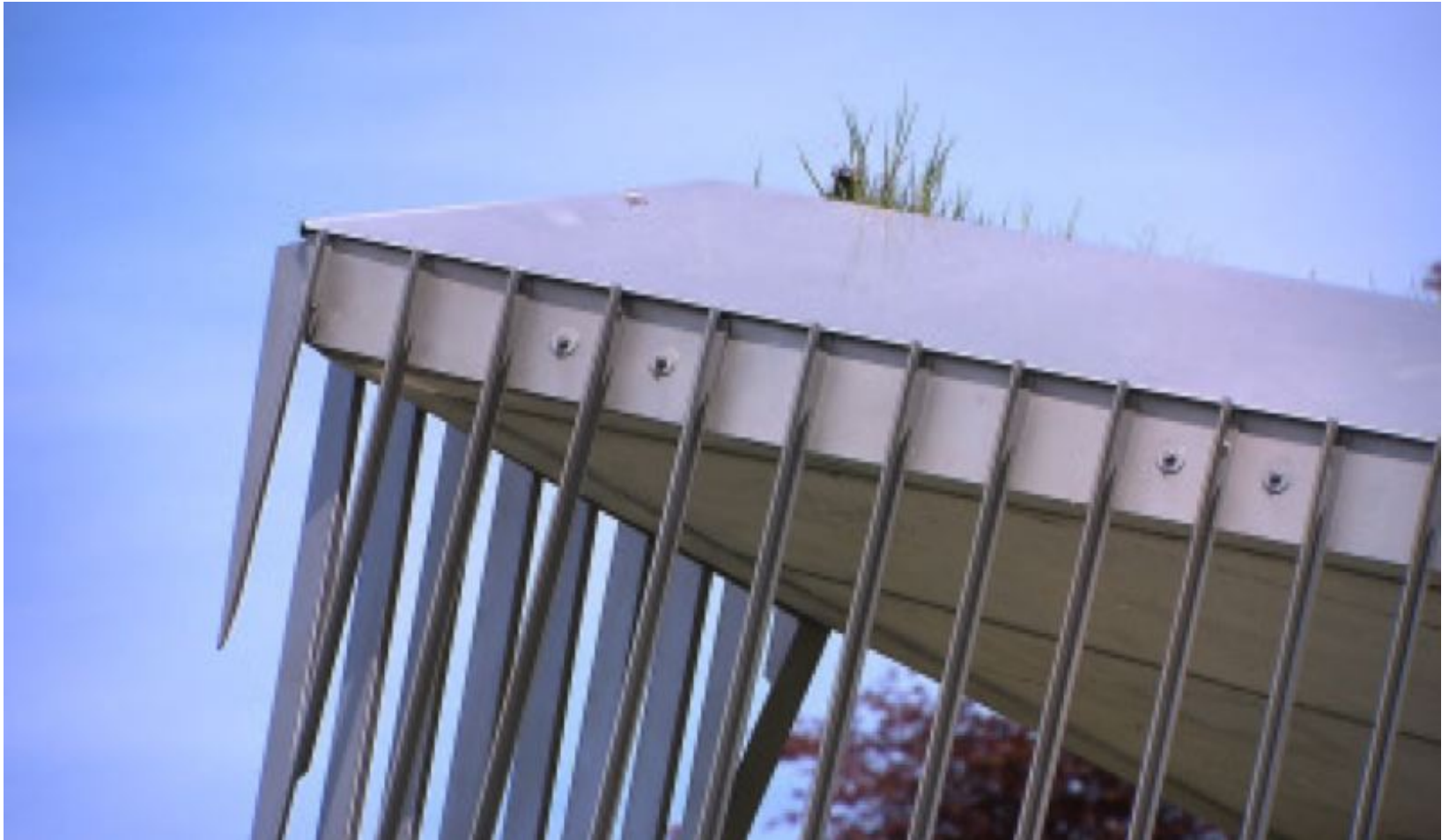


# Options for Real-Time Audits

- Construction before the building/project is completed
- Project management before the project is done (consider “live” reporting as provided by quality control contractors, and how well management answers warnings)
- Mid-year budget assessments (including current spending / “burn rate”)
- Others?



# Example: Construction



# Example: Concessions



# Example: Reconstruction



# Example: Grant Management



# Example: Pandemic Influenza



# Example: Housing Approach Overlap



# Real-Time Audits – Good and Bad

- Good

- Looks forward, provides live updates
- Tracks projects before they're completed
- Gives management more time to react

- Bad

- Report processing may still take just as long, reducing any time/budget savings
- Less convincing findings but faster reporting – weigh report users' needs
- Recommendations based on effects that may not yet be fully known



# Questions?

- Other areas where real-time auditing could help your organization?
- Any other concerns about faster, more-focused audit work?
- Other barriers to real-time auditing?
- Any decision-maker or public needs **not** met by real-time audits?





# Thank You For Attending!

Drummond Kahn

Director of Audit Services, City of Portland

(503) 823-3536

[drummond.kahn@portlandoregon.gov](mailto:drummond.kahn@portlandoregon.gov)

[www.portlandoregon.gov/auditservices](http://www.portlandoregon.gov/auditservices)

<http://twitter.com/PortlandAudits>