

**Office of the State Comptroller
Audit Division**



THE AUDIT PROCESS

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State of New Jersey
Office of the State Comptroller

Dear Agency Official:

We have scheduled one of your programs for audit. An audit is an integral part of the government's system of accountability and transparency, and one which aims to provide an objective, independent review of program stewardship.

We have prepared this pamphlet to better familiarize you with the audit process. On the following pages you will find information describing our mission. We hope this will give you a better understanding of the perspective our auditors bring to their work.

We strive to accomplish our mission competently and professionally. We are aware that nobody (including us) likes to be audited. My staff will schedule periodic meetings with you, or your liaison, to keep you fully informed of our progress. In addition, please feel free to contact the on-site auditor-in-charge or any member of our management team at any time.

We request your cooperation to ensure that essential facts are obtained expeditiously and are interpreted accurately.

Very truly yours,
Philip James Degnan
Acting State Comptroller

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MISSION

To promote integrity and transparency at all levels of New Jersey government by auditing government finances, examining the efficiency of government programs, investigating misconduct by government officers, scrutinizing the legality of government contracts and recovering improperly expended Medicaid funds.

STATUTORY AUTHORITY

The Office of the State Comptroller has the statutory authority (N.J.S.A. 52:15C-1 et seq.) to conduct financial and performance audits of the Executive branch of State government, including all entities exercising executive branch authority, public institutions of higher education, independent State authorities, units of local government, and boards of education. The Comptroller also has the authority to audit certain records of private firms and nonprofit organizations which are awarded contracts by, or receive funding from, these government entities.

ACCESS TO RECORDS

During the audit, the Comptroller's staff will require timely and unrestricted access to records, files, and other information to complete the audit effectively. The Office's right to information required for audit purposes is derived from its statutory authority. Some records in our custody may include information that various laws define as confidential and/or proprietary information. The Office of the State Comptroller will not disclose any document or information that is designated as confidential and/or proprietary.

AUDIT STANDARDS

The conduct of our audits is guided by professional auditing standards promulgated by the United States Government Accountability Office as outlined in the Government Auditing Standards publication.

PERFORMANCE AUDITS

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices.

Performance audits aim to provide management with objective information that will 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.

Performance audit objectives vary widely and may include assessments of fiscal and program effectiveness, economy, and efficiency, as well as internal controls and compliance. A performance audit may have more than one objective.

AUDIT PROCESS

A typical audit has several interrelated stages or activities that include:

I. Opening Conference

An opening conference establishes a climate where agency officials are informed about the audit process and offered an opportunity for input. During the opening conference the following areas should be addressed:

- * The scope of the audit, which will include the program areas under review and the period of time covered;
- * Specific areas agency officials may want examined;
- * Establishing appropriate communication channels for obtaining information and transmitting preliminary audit findings;
- * Identifying any known improprieties that have occurred;
- * Explanation of the management representation letter stating that all records and pertinent data were made available to the auditors and that all relevant matters have been disclosed;
- * Review of reporting procedures for preliminary, draft and final reports, including the opportunity for responses; and
- * Discussion of office space and equipment needed to conduct the audit.

II. Audit Survey

The audit team conducts a survey of organizational and programmatic information before the major audit effort begins. The objective is to develop a more complete understanding of the organization and the areas that will be audited.

III. Field Work

Field work is comprised of planning the audit and obtaining sufficient and appropriate audit evidence to document the audit conclusions. The auditor-in-charge (AIC) supervises the day-to-day activities of the on-site audit team to ensure quality audit work is completed within predetermined timeframes.

IV. Preliminary Audit Findings

Upon completing the field work phase for each audit area, the AIC or other audit staff will discuss the preliminary findings and conclusions with the appropriate agency officials. Responses to these preliminary findings should be provided and any factual differences resolved.

V. Exit Conference

At the completion of the audit field work, the audit team will meet with agency officials to discuss the audit results. Prior to the meeting, we will transmit to you a discussion copy of the audit report.

VI. Draft and Final Audit Report

The head of the audited organization is provided a draft report for their formal response. The transmittal letter will indicate a date by which the agency should respond formally with its official position concerning the audit findings and recommendations. This response will be included as an appendix in our final audit report.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement and in accordance with N.J.A.C. 17:44-2.8(a), following the distribution of the final audit report, the audited organization shall report to the Office of the State Comptroller within 90 days stating the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefor.

FOLLOW UP

About one year following the issuance of our final report, we may schedule a follow-up engagement to assess the extent your organization has implemented the recommendations made in the final report.

REPORT DISTRIBUTION

Draft audit reports are distributed only to agency officials for their review and comment. Draft audit reports are not for public distribution.

Final audit reports are public documents and will be posted on our website. They will be provided to the audited agency or organization before they are publicly released. Final reports will also be issued to the Governor, the President of the Senate, and the Speaker of the General Assembly. Final reports will also be provided to media representatives, some with accompanying press releases.

**OFFICE OF THE STATE COMPTROLLER
AUDIT DIVISION
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Executive Staff

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Visit our website at www.nj.gov/comptroller

Additional information on government accountability and performance auditing can be found at:

U.S. Government Accountability Office– www.gao.gov

Association of Government Accountants– www.agacgfm.org

Institute of Internal Auditors– www.theiia.org

