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Local governments are familiar with the State Auditor's Office through the financial, federal and accountability audits we do. In November 2005, the citizens of Washington added performance audits to our portfolio when they passed Initiative 900.

Since then, we have been working to set up a performance audit program that responds to what citizens want and that best equips us to conduct comprehensive, independent performance audits. Because of the hard work of our staff, we are ahead of schedule on the work plan we had originally envisioned. Instead of relying on contractors to conduct the bulk of our performance audits for the first two years, we are well into the process of integrating performance audit into the work our local audit teams already conduct.

What that means for local governments is that we are ready to begin performance audits at the local level. Among our first audits to affect local governments is an assessment of state and local governments' practices surrounding open public records laws. We plan to issue the report by June 30, 2007.

Other local government performance audits that will be complete by June 30, 2007 are:

- Overtime practices at cities and counties
- Public schools (K-12) travel practices
- Educational Service Districts (contracted audit)
- Take-home vehicle practices at cities and counties
- Sound Transit light rail construction project management
- Public Development Authorities' compliance with open public records, meetings and financial reporting requirements
- Public Development Authorities' oversight by the entities that created them

Performance audits of local governments that we plan to complete by Dec. 31, 2007 are:

- Sound Transit long-term financial viability (contracted audit)
- Port of Seattle's third runway project at Seattle-Tacoma International Airport (contracted audit)
- Public schools' (K-12) administration costs
- Use of impact fees by large cities and counties

We developed our work plan using six themes, garnered from extensive outreach with citizens, trade associations and organizations, public employees, government entities and elected officials; Initiative 900; and our knowledge of government operations. These themes are:

- Public interest
- Inherent or recurring difficulties within an entity
- Matters that affect all entities, such as pensions and purchasing
- Flow of money between state and local entities

- Capital projects
- Administration costs

Once we have identified a potential performance audit, we conduct preliminary research to decide whether an audit is necessary, and if so, which entities should be selected as part of the audit scope. This research may include distributing surveys to any government entities that could potentially be involved in the audit. In such instances, our local government auditors contact the business officers at the entity to notify them that one or more surveys are coming and our deadline for receiving the information.

Once we have decided to proceed with a performance audit, our auditors will place a phone call to the business officers at the entity to inform them of the audit and to schedule an entrance conference. We also send a letter to the entity's elected officials and management to invite them to attend the entrance conference. The audit field work starts once the entrance conference has been held.

Local governments often already have performance measures in place. Preparing for the audit entails determining who is overseeing those performance measurements and the criteria they are using. Criteria provide a context for understanding the results of the audit. The following are examples of criteria:

- Purpose or goals as outlined in the law or regulation
- Purpose or goals set by officials responsible for the audited entity
- Policies and procedures established by officials of the audited entity
- Technically developed standards
- Expert opinions
- Prior periods' performance
- Performance in the private sector
- Best practices of leading organizations

Sometimes your performance criteria reside at multiple locations and with multiple people. Creating an inventory of those people and the criteria they use is a significant part of the preparation process.

Auditing standards require that we understand your internal controls, which includes your system for measuring, reporting and monitoring your performance. Our auditors will document how you measure your own performance. The performance audit will determine whether we agree with your performance criteria and may identify additional criteria or benchmarks that would benefit your organization. Auditing standards require auditors to use criteria that are reasonable, attainable and relevant to the objectives of the performance audit.

We encourage local governments to use our Web site, <http://www.sao.wa.gov/PerformanceAudit/default.asp>, as a resource. We have dedicated a section of our Web site to performance audits. It contains information specifically for local governments, including frequently asked questions, results of our outreach work,

the work plan and descriptions of each audit, weekly updates on performance audit work and contact information.

Our staff has been conducting extensive outreach with local governments and related organizations. We are available to assist local governments and answer any questions. Local governments also have the opportunity to meet with me or Linda Long, our Director of Performance Audit. We can be reached at (360) 902-0370.

I believe in open, responsive government. The opportunity that citizens gave this Office carries with it a responsibility shouldered not only by our Office, but by those we audit. We look forward to our continued, constructive work with local governments.