

Operations Committee Meeting

November 2, 2006

Recommended Best Practices from Collection of State Debt Audit

The collection of state debt performance audit is one of the first performance audits undertaken by the State Auditor's Office (SAO) with existing financial auditor staff. Seven agencies are involved in the audit (DOR, DSHS, L&I, ESD, DOT, ECY, CTED) . It has an accelerated timeframe: the SAO plans on having the fieldwork completed by the end of November. The final report is due out by December 31, 2006.

After the first entrance conference with DOR, we compiled these best practices and shared them with the other six agencies. These practices mirror the information provided in the Sterling Associates report on how to host a performance audit. They have demonstrated their practical value in this initial audit.

- 1) **Set a positive tone from the top.** Cindi Holmstrom, Agency Director, did a great job of setting a very positive, cooperative tone. Likewise, Karin Hendrickson, Internal Audit Manager, was great at asking questions and gaining clarity around processes in a very positive way.
- 2) **Offer to have an orientation meeting with the auditors.** DOR made this offer, and it was very well received by the SAO. The purpose of the orientation is to provide the auditors an overview of initial materials and orient them to the agency's collection policies, procedures, and practices. It is to your mutual benefit to provide information and explain your business early in the audit. Don't wait until the auditor comes to you with questions. This is particularly important if the audit has an accelerated timeframe.
- 3) **Share applicable information at the conference.** DOR passed out organizational charts and offered space at their facility. The auditors were very appreciative of the handouts, and even such a small gesture helped set a positive tone. We recommend you have some type of applicable information to share with the auditors at the entrance conference.
- 4) **Request frequent status updates.** In their entrance conference document, the SAO underscores their commitment to open and ongoing communication during the audit. They offered to have two interim meetings with management during the audit to discuss progress. In addition, Cindi requested weekly updates, and the SAO agreed. We recommend the additional meetings because of the speed of this audit, and as a result, the minimal amount of time to address any concerns before the report is drafted. We recommend asking for a written weekly status report and weekly verbal communication about any issues or preliminary conclusions. You're encouraged to do what your schedules will allow.