ARIZONA DEPARTMENT OF CHILD SAFETY

TITLE	POLICY NUMBER	
External Audit Coordination	DCS 07-02	
RESPONSIBLE AREA	EFFECTIVE DATE	REVISION
Audit Management Services	10/14/16	1

I. POLICY STATEMENT

This policy identifies the responsibilities and authority of the Department of Child Safety (DCS) Audit Management Services (AMS) when DCS is audited by external entities. External Auditors shall arrange all initial contact with DCS via the AMS Administrator.

AMS reviews all external audit requests, contacts the appropriate Business Owners, facilitates two-way communication, and monitors the timeline of the audit.

II. APPLICABILITY

This policy applies to all DCS employees, programs, and operations. DCS staff shall fully cooperate with the external entities in the performance of their duties.

III. AUTHORITY

A.R.S § 8-458   Inspections bureau; monitoring and evaluation; quality assurance process

A.R.S § 8-465   Auditor general; department audit team; duties

IV. DEFINITIONS

Assigned Auditor: The coordinator/liaison between the external audit agency and the Department.

Audit Management Services (AMS): The central point of contact for all Department external audits, accountable for timely communication, follow-up, and status reporting.

Business Owners: Department leadership identified as the owner of the operational area under review during the audit or during the follow-up stage.

Department (DCS): The Department of Child Safety.

Director: The Director of the Department of Child Safety.

External Auditors: Agencies such as state auditors (e.g., Auditor General), Medicare auditors, federal auditors, and others who perform mandated or discretionary audits.

Interview: The formal one-on-one communication between a Department representative and the external audit agency.

Objective: The subject matter under review; defines the expected audit outcome, i.e. what the audit is expected to accomplish.

Scope: The boundary of the audit directly tied to the audit objectives; defines the subject matter that is the basis of the auditor's assessment and report.

Subject Matter Experts (SMEs): Workforce within the Department who are identified during the audit or during the follow-up stage as a consulted party.

V.   **POLICY**

Roles and Responsibilities

A.   Assigned Auditor

A team member from AMS will be assigned to coordinate the audit, monitor all external audit activity, identify DCS staff to work with the External Auditors, review responses to requests and data prior to submission to the external audit agency, coordinate the distribution of all Audit Reports, and monitor and report the implementation status of audit recommendations.

B.   Business Owners

The appropriate Department leadership will be identified by AMS at the onset of the audit. Business Owners will be informed by AMS throughout the audit process and will be ultimately responsible for the identified actions and implementation.

C.   Department Staff

All staff involved in the external audit shall be courteous, cooperative, and professional when working with the External Auditors, assist them with specific requests, answer their questions, and provide information related to the scope of the audit. If uncertain about any requested information, they will consult with AMS.

D.   Policy Exceptions

Any exceptions to this policy must be approved by the Director or Deputy Director.

VI.   PROCEDURES

A.   Audit Process

1.   Notification

The Audit Administrator will be contacted by the external audit agency regarding their intent to conduct an audit.

2.   Entrance Conference

The Audit Administrator schedules an Entrance Conference to include the External Auditor, Audit Administrator, Deputy Director, Business Owner of the unit to be audited, and the Assigned Auditor (hereafter referred to as "Auditor"). AMS will ensure full communication of audit scope, objectives, time frames, schedule, and the point of contact for the unit being audited.

3.   Initiation of the Audit

The Auditor:

a.   identifies and provides documents and records to be reviewed by the External Auditor. A turnaround time of five business days will be assigned to each request, unless otherwise indicated. If the request for documents is not within the scope of the audit, the Auditor shall discuss the reason for the request with the External Auditor. The Audit Administrator, Business Owner, and SMEs may be included in the discussion as needed;

b.   identifies space and equipment to be used by the External Auditor;

c.   identifies Business Owners and SMEs to be interviewed by the External Auditor. Business Owners and SMEs shall comply with all requests for interviews by the External Auditor;

d.   attends interviews, takes notes, and follows up on deliverables requested by the External Auditor;

e.   participates in status meetings with the External Auditor, Audit Administrator, Business Owner, and SMEs, as needed.

4.   Exit Conference

The Auditor schedules an Exit Conference with the External Auditor, Audit Administrator, and Business Owner.

a.   The External Auditor will provide a draft report, including findings and recommendations, to the Audit Administrator.

b.   The Audit Administrator will meet with the Business Owner and Auditor to discuss the Department's position and proposed response. The Auditor will complete the Audit Management Services Feedback form and submit it to the external audit agency.

c.   The Auditor will develop a final draft of the response document and forward along with a cover letter, to Correspondence Control.

d.   Correspondence Control will forward the response document and cover letter to the Director for signatures, then return the hard copy (with a scanned email copy) to the Auditor.

e.   The auditor will scan and email the signed response document and cover letter to the External Auditor.

f.   After the External Auditor publishes the Audit Report, the Audit Administrator will disseminate the report to appropriate DCS personnel.

5.   Progress of Audit Recommendation Implementation

Every effort should be made to ensure progress towards the full implementation of the recommendations. Six months after the report date, and every six months thereafter, the Audit Administrator requests a status report from the Business Owner regarding audit recommendations and implementation. The Business Owner will email the requested information to the Audit Administrator.

When the Audit Administrator receives a request for a status report from the External Auditor, this task will be assigned to the Auditor.

a.   The Auditor will email the Business Owner to request the status of the implementation of audit recommendations and request supporting documents every six months and/or within one month of the identified target date. The update will include all action plans and supporting documentation which will be due to AMS within the identified timeframe.

b.   The Business Owner will provide a written status report of audit recommendations and supporting documents to the Auditor.

c.   The Auditor will develop a status report for the External Auditor and scan/email it including supporting documents to the External Auditor, with a copy to the Audit Administrator. The Auditor will accommodate any additional requests for information from the External Auditor.

6.   Audit Closure

Upon receipt of an Audit Closure Letter from the External Auditor, the Audit Administrator archives the audit documents in the AMS shared drive/Local Area Network (LAN). The Audit Administrator will send an email notification to the Business Owners informing them of the closure of the audit.

B. Audit File, Database, and Reporting

1. Audit File

a. An electronic project folder will be created for each audit and will be stored in the AMS drive in the LAN.

b. All information and correspondence will be placed in the appropriate folder (refer to Section D for File Retention Schedule);

2. Database

Recommendations

From the final Audit Report, the following will be entered into the AMS database:

a. each recommendation;

b. response to each recommendation (i.e. agree, disagree, etc.);

c. status of each recommendation (i.e. in progress, implemented, not implemented, etc.);

d. the follow-up (i.e. in progress, implemented, not implemented, etc.); and

e. status of each follow-up item (e.g. in progress, implemented, not implemented, etc.)

3. Reporting

The Audit Administrator will provide a quarterly report to the Business

Owners, Assistant Director of Budget and Finance, Deputy Directors and any other approved party, as identified.

C.   Audit Closure and File Retention Audit documents are archived and stored as directed in the Arizona State Library, Archives and Public Records, Schedule Number GS 1046. Project folders are stored electronically and archived when a project has been completed (i.e. all follow-up is 100% completed and external audit agency is no longer following the status of the recommendations). Project records are retained for seven (7) years after the fiscal year Audit Report is completed.

D.   Post Audit Analysis

AMS will review and analyze all external audit recommendations. Department trends and risks will be identified and elevated to DCS leadership.

VII.   FORMS INDEX

Audit Management Services Feedback (DCS-1217A)