

**AUDIT DIVISION
POLICY AND PROCEDURES MANUAL**

January 2016



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LOS ANGELES POLICE DEPARTMENT**

Table of Contents

Section I: Mission and Authority..... 1

- A. Introduction..... 1
- B. Vision Statement..... 1
- C. Mission Statement..... 1
- D. Audit Authority and Responsibilities..... 1
- E. Reporting Structure..... 1

Section II: Ethics..... 3

Section III: Independence..... 4

Section IV: Professional Judgment and Competence..... 8

- A. Hiring Process..... 8
- B. Continuing Professional Education..... 8

Section V: Risk Assessment..... 9

Section VI: Quality Control and Assurance..... 10

- A. Internal Quality Control System..... 11
- B. External Peer Review..... 11
- C. Ongoing Monitoring..... 11
- D. Disagreement..... 11

Section VII: Audit Process..... 12

- A. Planning..... 12
- B. Field Work..... 13
- C. Reporting..... 16
- D. Monitoring/Follow-up..... 17
- E. Supervision..... 17
- F. Reporting Misconduct..... 18
- G. Records Retention..... 18

Section VIII: Non-Audit Service..... 18

Section I: Mission and Authority

A. Introduction

The purpose of the Audit Division (AD) Policies and Procedures Manual (Manual) is to guide the Audit Division of the Los Angeles Police Department's (Department) to perform audits in accordance with Generally Accepted Government Auditing Standards (GAGAS).¹ The Manual provides information on the audit process to ensure audit work is conducted in a consistent, fair, and professional manner. Staff members are responsible for following the procedures described herein.

B. Vision Statement

Provide the highest quality auditing services to provide transparency and gain public trust through Department accountability and quality through continuous improvement. In doing so, AD strives to be a recognized leader within the law enforcement auditing profession.

C. Mission Statement

Provide quality, independent, objective, and comprehensive audit and review of police operations, internal controls and systems by trained and experienced sworn and civilian auditors. When areas for improvement are identified, recommendations will be made to enhance the Department's operations. Audit Division advances accountability through auditing assurance, and consulting services, to proactively work with Department officials in identifying risks, evaluating controls, and making recommendations that promote constitutional policing and effective delivery of police services.

D. Audit Authority and Responsibilities

Audit Division is guided and authorized by the Chief of Police, and the Board of Police Commissioners, through its Charter which is updated and approved biennially.

As outlined in the Department Manual, Audit Division's responsibility including for the following special duties:

- Developing and preparing a risk-based Annual Audit Plan;
- Serving as a centralized repository for all audits completed pursuant to the Annual Audit Plan;
- Preparing a Quarterly Audit Report, for internal use, detailing the status of audits contained in the Audit Plan, including any significant findings;
- Conducting audits that evaluate effectiveness and efficiency of operations and programs; reviewing established systems, policies and procedures to appraise compliance with laws and regulations;
- Providing adequate audit follow-up to determine whether corrective action is taken, and evaluating the effectiveness of the actions taken;
- Managing the Department's Financial Disclosure Program, reviewing disclosures prior to final determination by the Chief of Police; and,
- Hosting the Basic Law Enforcement Performance Auditor Course biannually for Department personnel and outside law enforcement agencies.

E. Reporting Structure

1. Organization Chart – Department, see Department website

¹U.S. Government Accountability Office, Generally Accepted Government Auditing Standards, December 2011 Revision.

2. Position Descriptions

Commanding Officer, Chief Audit Executive

The Commanding Officer (CO) provides strategic and visionary leadership and who will provide objective assurance and consulting services designed to add value and improve the efficiency and effectiveness of the Department's operations. The CO has the responsibility for establishing, maintaining and managing a comprehensive, high performance and customer oriented internal audit program. The CO is a professional with exceptional analytical, critical thinking, and interpersonal skills; is a visible leader with the ability to communicate effectively and to develop strong collaborative relationships with a broad range of constituents; possess strong organizational skills as well as the ability to provide leadership in a complex, diverse, decentralized, and multi-functional environment.

The CO and Officers-in-Charge (OICs) are responsible for assessing skills needed to perform each assignment and assign staff with the collective professional knowledge to perform the work (3.69-70).

Officer-in-Charge/Assistant Officer-in-Charge, Manager

Section OICs and Assistant Officers-in-Charge (AOICs) are responsible for overseeing staff and all aspects of performance audits, including assigning audits, reviewing and approving completed audits; recommending and ensuring compliance with internal policies, standards, and procedures; assessing, developing, implementing training needs and programs; and, completing employee evaluations on a yearly base.

Team Leader

Section Team Leaders (TLs) are responsible for supervising audits including the monitoring and tracking of the progress of the audit as well as reviewing work for quality, completeness and adherence to Department policy and procedures. Team Leaders may conduct or act as a project manager (PM) for the most highly sensitive audits.

Audit Staff

Audit staff includes both sworn and civilian personnel. An audit team is made of project manager, assistant project manager, and team members. They are responsible for conducting performance, compliance, operations, information systems, or program audits in accordance with Generally Accepted Government Auditing Standards. The duties include: analyzing areas for audit, establishing scope; evaluating and assessing areas of risk; examining appropriate records and documents to ensure compliance with established policies and guidelines; determining if effective and efficient controls are in place; preparing audit workpapers; and preparing preliminary audit findings for discussion with involved Department entities.

Training Coordinator

The Training Coordinator (TC) supervises, monitors, and reports all training-related to the functions of the Division. The TC plans and coordinates decentralized training specific to the Division, and schedules personnel with deficient skills for appropriate training to enhance performance, and ensures the completion of training record keeping in the Training Evaluation and Management System II (TEAMS II). The TC monitors and ensures compliance with Department Standardized Roll Call Training Program, Supervisor Quarterly Training Program, California

Peace Officer Standards and Training (POST), and Continuing Professional Education program for AD.

Adjutant

The Adjutant acts as a liaison between the CO of AD, the staff, and other commands. The Adjutant also presents any other administrative documents and issues for consideration to the CO. The Adjutant works closely with the divisional secretary to process and prepare AD's work product for transmittal to the Office of Constitutional Policing and Policy and other commands. Externally, the Adjutant is the representative of the CO.

Secretary

The Secretary performs clerical work requiring frequent exercise of independent judgment and a good knowledge of the functions of the organizational unit; may supervise clerical employees; and does related work.

Section II: Ethics

Audit Division conducts its work with the highest ethical principles (3.88). It is AD's policy that audit staff and the work performed should adhere to the ethical principles identified by government auditing standards. The ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS are as follows (1.14):

- A. Public interest** - It is defined as the collective wellbeing of the community of people and entities the auditors serve. Accountability for public resources is fundamental to serving the public interest (1.15-1.16);
- B. Integrity** - The integrity of auditors establishes trust and provides the basis for reliance on their judgment. Audit Division exercises honesty, diligence, and responsibility; observes reverence for the law; and will not be a party to illegal activity or engage in actions that discredit the law enforcement or auditing professions (3.85b, 3.88, 3.89);
- C. Objectivity** - Auditors must be independent and impartial in fact and in appearance. Auditors must be intellectually honest, free from conflicts in interest, and must disclose any instances that may distort the reporting of activities under review (1.19);
- D. Proper use of government information, resources, and positions** - Information obtained shall be used for official purposes only and never for personal gain, illegal activity, or in any manner contrary to the objectives of the Department (1.20). Audit Division maintains confidentiality for all information to which AD is privy and shall not disclose confidential information without authority, unless there is a legal or professional obligation to do so. Audit Division recognizes the public's right to the transparency of government information (1.21); and,
- E. Professional behavior** - Audit Division shall maintain professional competency by putting forth an honest effort in the performance of our duties, and in accordance with relevant technical and professional standards (1.24).

Section III: Independence

Policy

The Independence Standard requires that auditors and audit organizations maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. In all matters relating to the audit work, AD and the individual auditor must be independent, both in mind and appearance (3.02-03, 3.88). Audit Division and individual auditors must take into account the three general classes of impairments to independence: personal; external; and, organizational. Audit Division applies the conceptual framework to identify threats to independence, evaluate their significance, and apply safeguards to eliminate or reduce identified threats (3.07-08, 3.20-23). The following are the broad categories of threats to independence:

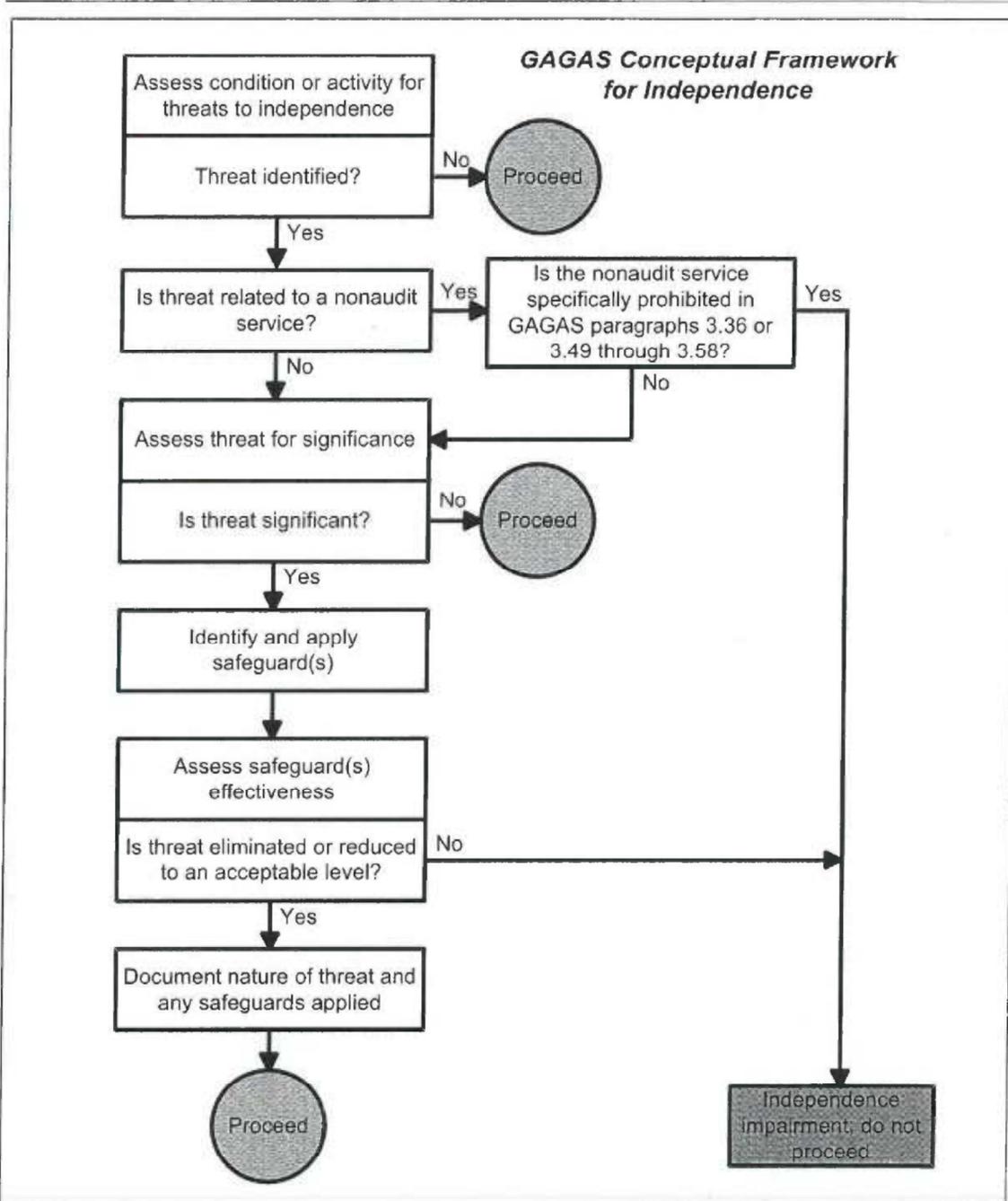
- Self-interest threat;
- Self-review threat;
- Bias threat;
- Familiarity threat;
- Undue influence threat;
- Management participation threat; and,
- Structural threat.

In case where threats to independence are not at an acceptable level, AD should decline to perform a prospective audit or terminate an audit in progress (3.25).

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Appendix II

GAGAS Conceptual Framework for Independence



Source: GAO.

Audit Division Policy and Procedures Manual

Procedures

Staff is assigned to projects on the basis of availability, complexity of project, and the particular skills and background required in performing the project. Personal impairments, i.e., personal relationships, past experiences with Department management, biases, etc., are also taken into consideration. Staff will not be assigned where impairment exists. Should an actual or perceived impairment arise during the course of an assignment, staff is responsible for immediately advising management for determination.

Staff, for each audit assignment, shall submit a completed **Independence Statement** to the OIC, documenting any issues impairing their independence in completing the audit assignment in a fair and unbiased fashion. In the event the OIC or staff cannot comply with or adhere to the identified principles, they should immediately notify their supervisor of the circumstances involving the personal, external, or organizational impairments. The CO will review each staff's Independence Statement, to evaluate the information on each form, to ascertain that the staff member has no personal, external, or organizational impairments that might impede or give the appearance of impeding the independence of his/her work on an audit.

Audit Division evaluates its processes to determine its independence for the purposes of reporting internally, by incorporating the following:

- A. The CO, AD reports audit results to the Office of Constitutional Policing and Policy, Chief of Staff, Chief of Police, and the Board of Police Commissioners;
- B. Inspector General, Police Commission, has the right to review all AD audit results;
- C. Audit Division is located organizationally outside the staff or line-management function of all operational units, or units under audit;
- D. The CO, AD, has direct access to the Board of Police Commissioners; and,
- E. The CO, AD, is sufficiently removed from political pressure to conduct audits and report findings, opinions, and conclusions, objectively, and without fear of political reprisal.

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INDEPENDENCE STATEMENT

The auditor shall notify his/her OIC, in writing, identifying any threats to independence so that appropriate safeguards are put into place to mitigate this threat using the GAGAS conceptual framework. Threats to independence are circumstances that could impair independence and must be evaluated using the conceptual framework. Threats do not necessarily impair independence.

I, _____, to be best of my knowledge, except for the conditions outline below, am personally independent as GAGAS requires. If in the future I find that my personal independence is or may be impaired for the engagement, I will bring these possible impairments to the attention of management (*Government Auditing Standards* §3.01- 3.25).

Signature

Serial Number

Date

Reviewed by OIC/AOIC

Signature

Serial Number

Date

Verification of Auditor Independence

I, the Commanding Officer, Audit Division, have reviewed and evaluated the information on this form and believe the above referenced auditor/investigator has no personal, external, or organizational impairments that might impede or give the appearance of impeding the independence of his or her work on this audit.

Signature

Serial Number

Date

Reviewed by Quality Assurance

Signature

Serial Number

Date

Comments: _____

Section IV: Professional Judgment and Competence

Auditors must use professional judgment in planning and performing audit engagements and in reporting the results. Professional judgment includes exercising reasonable care and professional skepticism. Professional judgment represents the application of the collective knowledge, skills, and experiences of the audit personnel (3.60-63).

Competence is derived from a blending of education and experience. The auditors assigned to each audit engagement must collectively possess adequate professional competence for the tasks required.

A. Hiring Process

Audit Division follows City of Los Angeles and Department policies regarding recruitment, hiring, continuous development, and evaluation of staff's performance (3.70, 3.90). Audit Division staff collectively possesses the technical knowledge, skills, and experience required for each project assigned (3.72).

B. Continuing Professional Education

Audit Division staff enhances their knowledge, skills, and professional competencies through continuing professional development. It is the responsibility of each staff member to maintain his/her Continuing Professional Education units (CPEs), and it is the responsibility of the CO to monitor CPE compliance with GAGAS (3.77).

Audit Division requires that auditors shall complete at least 24 hours of CPE, directly related to government auditing, the government environment, or the specific environment in which the audited entity operates, every two years in accordance with GAGAS.

Auditors who are involved in planning, directing, or reporting on GAGAS audits must obtain at least 80 hours of CPE every two years. Those auditors who charge 20 percent or more of their time annually to GAGAS audits also need to meet this requirement. Auditors assigned to AD less than two years should complete a pro rata number of CPE hours (3.76).

The two year period commenced January 1, 2015.

Should external or internal specialists assist with or perform audits, the audits shall be performed according to GAGAS. The CO shall ensure external and internal specialists for such work are qualified and competent (3.79-81).

Audits Division employees are encouraged to continually develop personally and professionally by pursuing certifications that include, but are not limited to the following:

- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Public Accountant, and,
- Certified Government Auditing Professional

Section V: Risk Assessment

A. Department-wide Risk Assessment

On an annual basis, AD management develops a Department-wide Risk Assessment to identify potential audit subjects. The purpose of the risk assessment is to determine the priorities of the audit activity consistent with the Department's goals and to develop the Annual Audit Plan.

The risk assessment includes input from Department command staff and the Board of Police Commissioners, AD management and supervisors. Audit Division considers its prior work, the City Controller's report, and the work of external sources.

B. Annual Audit Plan

The Annual Audit Plan is based on the calendar year. Risk assessment results, the status of the recommendations, and the proposed Annual Audit Plan are presented to the Board of Police Commissioners for approval. Significant risk exposures, control issues, fraud, management issues, and matters requested by the Command Staff and the Board of Police Commissioners are included in the Annual Audit Plan.

The Annual Audit Plan is flexible to allow unanticipated issues to be dealt with. Should it require significant interim changes, adjustments are made and presented to the Board of Police Commissioners for approval.

C. Engagement Risk Assessment

Audit Risk - In planning audits, auditors should assess risk and its significance, and apply these assessments when developing the audit objectives, scope, and methodology (6.06, 6.07, 6.11). The following factors are considered (6.11a-f) and documented in the Audit Work Plan (AWP).

- The nature and profile of the program and user needs (6.11 a, 6.13);
- Design and implementation of internal controls (6.11b, 6.16);
- Design and implementation of information system controls (6.11c, 6.24);
- Legal and regulatory requirements, contract provisions, grant agreements, potential fraud and abuse (6.11d, 6.28, 6.30-32, 6.34);
- Impact of ongoing investigation and legal proceedings (6.11e, 6.35); and,
- Results of previous engagements (6.11f, 6.36).

Fraud and Abuse Risk - Auditors should assess risk of fraud or abuse occurring that is significant (6.30), including incentives or pressures on individuals to commit fraud, the opportunity for fraud to occur, and attitudes that might allow individuals to commit fraud or abuse (6.30-34).

Assessing the risk of fraud is an ongoing process and relates not only to planning but also to evaluating evidence obtained during the audit.

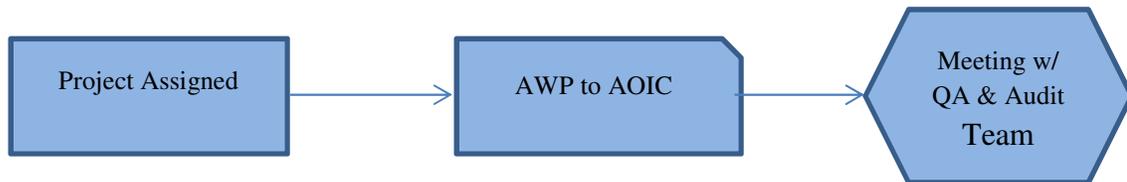
Section VI: Quality Control and Assurance

Audit Division maintains a quality control system designed to provide AD with reasonable assurance that its staff complies with professional standards, legal and regulatory requirements (3.82a).

Quality Assurance Flowchart

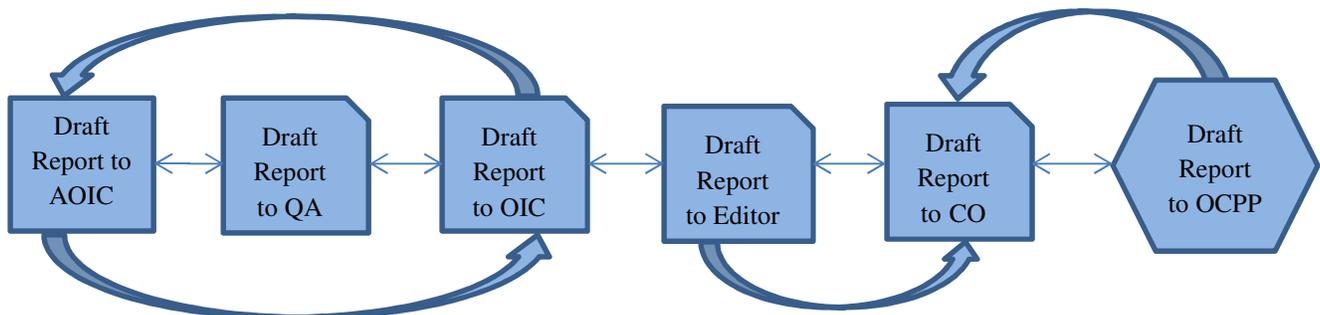
Audit Development Stage

- Audit project is assigned
 - Project manager develops the audit work plan (AWP)
- Audit work plan is sent to the AOIC
- Meeting takes place with Quality Assurance and audit team to discuss AWP regarding the inclusion of GAGAS requirements, such as risk assessments (not methodology).



Audit Completion Audit Stage

- Draft audit report is sent to AOIC for review (throughout the audit process, the supervisor is in contact with developments of the audit)
- The AOIC sends draft audit report to QA
 - QA notes are cleared by PM until approval from QA. Unresolved issues are conferred with OIC.
- Draft audit report is sent to OIC
- The OIC reviews and sends report to editor
- Editor reviews and sends back to OIC
- The OIC sends report to AD Commanding Officer (CO) for review
- The CO approves report and front office sends report to OCPP for review; requests for report edits from Office of Constitutional Policing and Policy (OCP) pertain to grammar and clarity *only*.



A. Internal Quality Control System

Audit Division has established policies and procedures that address:

- Leadership responsibilities for quality within AD;
- Independence, legal, and ethical requirements;
- Initiation, acceptance, and continuance of audits;
- Human resources;
- Audit performance, documentation, and reporting; and,
- Monitoring of quality

B. External Peer Review

Audit Division commits to undergoing an external peer review by qualified reviewers, independent of AD, at least every three years (3.82b). The peer review shall assess AD's quality control system and measure its compliance system. Additionally, the peer review will evaluate AD's conformance with applicable professional standards (3.96).

C. Ongoing Monitoring

Audit Division is committed to continuous improvement. The CO is responsible for revising the AD Manual as necessary and at any time based on ongoing monitoring that may identify inconsistencies in policies, weaknesses, and changes in processes, standards, and operational risks. Individuals performing and monitoring the Manual should collectively have sufficient expertise and authority for this role (3.85f, 3.94).

Audit Division uses the annual monitoring process to assess completed audit work to determine whether:

- Professional standards, legal, and regulatory requirements have been followed;
- The quality control system is suitably designed; and,
- Quality control policies and procedures are operating effectively (3.93).

Through the annual monitoring process, AD reports results in order to:

- Identify any systemic or repetitive issues for improvement and recommend corrective action; and,
- Identify any deficiencies of personnel activities and recommend remedial action (3.95).

D. Disagreement

To ensure independence and objectivity, all AD employees have the clear and unrestricted access to communicate differences of opinion between the auditors, OICs/AOICs, and the CO of AD. Final resolution shall be documents and retained in the workpaper.

Section VII: Audit Process

A. Planning

Policy

Auditors must plan and document their work to address the audit objectives, scope, and methodology. Planning is a continuous process throughout the audit (6.07). Auditors may adjust audit objectives, scope, and methodology as the work continues. This may be done if auditors determine sufficient evidence may not be available. If so, AD will evaluate whether the program weakness or lack of internal control is a contributing factor and whether it may be the cause of audit findings (6.39).

Procedures

1. **Staff Assignment** - Audit Division will assign sufficient staff and supervisors with adequate collective technical knowledge, skills and experience for the assignment (3.70-72, 6.45).
2. **Brainstorming** - At the start of an audit, the PM will schedule a brainstorming meeting with the team members. The meeting is intended to assess risks of the audit subject, define the scope and objectives, develop methodology, consider potential fraud and abuse, and develop a timeframe.
3. **Audit Notification** - Auditors shall communicate the audit objectives, scope, methodology, and timeline to the management (6.47). The notification can be Intradepartmental Correspondence, Form 15.02.00, signed by the CO or OIC, email, or entrance meeting (6.12e).
4. **Audit Work Plan** - The PM will prepare an AWP which documents the program to achieve the audit objectives (6.13, 6.15). The AWP provides an opportunity for supervisors to determine whether:
 - The proposed audit objectives are likely to result in a useful report;
 - The AWP adequately addresses relevant risks;
 - The scope, methodology, and audit steps are likely to result in accomplishing the audit objectives;
 - Available evidence is likely to be sufficient and appropriate; and,
 - Sufficient staff, supervisors, and specialists with adequate collective knowledge, skills and experience are available to perform the audit.

The AWP should contain the following elements:

- Purpose;
- Background (6.11a, 6.13a-e);
- Understanding of Internal Control (Controls are properly designed and implemented) (6.11b);
- Understanding of Information System Control (6.11c);
- Prior Year's Audit (6.11f);
- Risk Assessment;
 - Audit Risk Assessment
 - Fraud Risk Assessment
- Objectives, Scope, and Methodology (6.12b-c);

- Audit Team (6.12d, 6.45-6.46);
- Timeline; and,
- Reference (6.12a).

5. Audit Programs (Test Instruments)

An audit program should be prepared before the start of field work. Audit programs are generally developed after a thorough understanding of controls is obtained. The form and content of the audit program will vary. The PM will prepare the audit program with input from the team members. Audit programs must be approved by the OIC or AOIC. Auditors need to update the program as necessary to reflect any significant changes to the audit plan (6.50).

B. Field Work

Policy

All evidence on which AD relies on must be sufficient (is there enough?) and appropriate (is it relevant, valid, reliable?) to provide reasonable basis for the finding and conclusions (6.56-6.57). This refers to the data gathered during fieldwork.

Auditors shall document the following: objectives; scope; methodology; test work performed; evidence obtained; findings; conclusions; recommendations; and supervisory review prior to issuing the audit report (6.79-6.83).

Auditors shall document any departures from applicable GAGAS requirements and the impact(s) on the audit (6.84).

Procedures

The PM is responsible for using professional judgment to collect sufficient and appropriate evidence, prepare and maintain audit documentation in sufficient detail to enable an experienced auditor with no prior connection to the subject under audit, to understand the nature, timing, extent and results of procedures performed prior to issuing the audit report (6.79-6.81).

1. Testing

- a. Sampling** - When sampling is used, the method of selection that is appropriate depends on the audit objectives. Audit Division generally use statistically valid random sampling methods, which provide stronger evidence than non-statistical techniques. If auditors have isolated risk factors or other criteria, a target selection may be considered (6.64).
- b. Data Collection and Analysis** - There are three different types of evidence that auditors may use: documentary evidence, physical evidence, and testimonial evidence. Test results shall be based on appropriate analyses and evaluation of the collected evidence. The evidence that is obtained through the auditors' direct physical examination, observation, and inspection is generally more reliable than evidence obtained indirectly. Consequently, examination of original documents is generally more reliable than examination of copies. Therefore, it is imperative that the auditor gather and collect their own documentary evidence to physically inspect the original documents prior to making copies for their files for data integrity and reliability. Auditors should document assessment that evidence taken as a whole is sufficient and

appropriate for addressing audit objectives and supporting findings and conclusions (6.58, 6.67, 6.69).

Testimonial evidence can be used to interpret or support documentary or physical evidence. Audit Division applies the same professional standards to evaluation of testimonial evidence (6.62). Should testimonial evidence be obtained from officials, auditors should evaluate what steps official took to confirm the reliability of the testimonial evidence (6.65).

Computer-processed information is evaluated with particular consideration of sufficiency, appropriateness, internal controls, completeness, accuracy, and reliability (6.66).²

In cases wherein AD discovers the evidence is limited to the extent that validity or reliability cannot be tested, AD applies additional procedures including seeking additional corroborating evidence, redefining objectives or limiting the scope, and presenting findings and conclusions with scope limitation (6.71-6.72).

- c. **Cross-referencing** - Every fact and finding in the report shall be supported by evidence contained in the workpaper. To ensure the audit workpapers sufficiently support the audit report, the Summary of Test Work must be cross-referenced to the workpapers. Cross-referencing should be completed prior to review by the quality assurance team (7.14-18).

2. Elements of Findings

Auditors will plan and perform procedures to develop the elements of a finding necessary to address the audit objectives (6.73). A finding contains up to five elements: criteria, condition, effect, cause, and recommendation. The specific elements needed for a finding depend on objectives and the audit results (7.14).

Criteria: Criteria provide a context (policy, procedure, law, etc.) for evaluation of evidence and understanding the findings, conclusions, and recommendations (6.37).

Condition: Condition is a situation that exists (6.75).

Cause: Cause identifies the reason or explanation for the condition. Cause may be basis for recommendations (6.76).

Effect: The effect is a clear logical link to establish the impact or potential impact of the difference between the condition and the criteria (6.77).

Auditors shall prepare “Elements of Findings and Recommendation” workpaper for each finding and recommendation and cross-reference it to the appropriate workpaper. After all findings are reviewed, auditors will transfer all findings/recommendations to the Summary of

²Audit Division follows the guidance in Assessing the Reliability of Computer-processed Data, GAO 09-680G.

Findings workpaper. This workpaper will be used in the Exit Meeting to present findings to the audited entity.

3. **Workpaper Standards** The following information will be documented on each workpaper or Summary of Test Work:

- Heading
- Preparer and date prepared
- Reviewer and date reviewed
- Purpose of the workpaper
- Source
- Conclusion, as applicable

All workpapers shall be maintained electronically in the following folders in the P drive:

- Planning Folder – A
 - A00 – Project Activity Log
 - A01 – Independence Statement
 - A02 – Brainstorm Memo
 - A03 – Risk Assessment
 - A04 – Audit Notification
 - A05 – Audit Work Plan
 - A06 – Audit Program
 - A06.1 – Crib Note
 - A07 – Timeline
 - A08 – Correspondence
- Testing Folder – B
 - B01 – Population and Sample (Define the source of data, sampling methodology)
 - B01.1 – Population
 - B01.2 – Sample Size Determination
 - B01.3 – Samples
 - B02 – Summary of Test Work
 - B03–B100 – Detail Test Work
- Reporting Folder – C
 - C01 – Final Report
 - C02 – Finding Summary – Finding Binder
 - C03 – Draft Report and Revisions
 - C04 – Exit Meeting
 - C05 – Actions Taken/Management’s Response
- Quality Control Folder – D
 - D01 – Quality Control Checklist (Peer Review Checklist)
 - D02 – Supervisor Review Checklist

C. Reporting

Policy

Each completed audit shall have a report that documents the results of the audit and it will be sent to the auditee (7.03). If there is a distribution restriction, auditors shall clearly document the reason(s) for not sending the report. If an audit is terminated before it is completed auditors should document their work and the reasons for termination (6.12e, 6.47-6.50, 7.06).

Procedure

1. Draft Audit Report Content - The audit report should contain the following information, organized in the following manner:

- Cover Page
- Table of Contents
- Executive Summary
- Audit report
 - Purpose;
 - Statement of GAGAS compliance;
 - Background;
 - Prior Year Audit, if applicable;
 - Objectives, Scope (including limitations and constraints), and methodology (including sample selection and whether sample results can be projected to the population when sampling significantly supports findings, conclusions, or recommendations);³
 - Summary of Findings (including deficiencies in internal control, instances of fraud abuse, waste, noncompliance with provisions of laws, regulations, and contracts)
 - Detailed Findings;
 - Audit results, conclusions or recommendations;
 - Management’s response;
 - Nature of any confidential or sensitive information omitted, if applicable; and,
 - Appendix/Addendum, if applicable. (7.08-13, 7.15-7.38)

The following GAGAS compliance statement shall be included in each audit report when applicable (7.30, 2.24):

“We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.”

A modified compliance “except for” statement is appropriate when auditors have (7.31, 2.25):

- (1). Performed in accordance with GAGAS *except for* specific applicable requirements that were not followed, or
- (2). Because of the significance of the departure(s) from the requirements, the auditors were unable and did not perform the engagement in accordance with GAGAS.

³ When an auditor applies randomly selected statistically valid samples, the sample result is projected to the population to support findings, conclusions, or recommendations.

2. **Exit Meeting** - At the completion of the audit, an exit meeting is held with the auditee. The purpose of the meeting is to confirm the accuracy of the draft report and address any questions or issues the auditee has. If the audit is a Department-wide, the exit meeting should be with the entities responsible for implementing the recommendations. All items discussed should be documented after the meeting. Generally, audit reports are sent to the auditee after the exit meeting when findings are mutually agreed upon.
3. **Final Audit Report** - See the Quality Assurance flow chart. PM, Section OIC, and CO shall sign the report prior to its issuance.
4. **Management Response** - The auditee will be given an opportunity to respond to the audit recommendations in writing. The response will be included as an Addendum to the final report.
5. **Distribution of Report** - Audit reports shall be distributed to the following entities:
 - Chief of Police
 - Board of Police Commissioners
 - Applicable Bureau and/or division CO

Audits conducted in accordance with the Annual Audit Plan shall be presented to the Board of Police Commissioners for approval. All audit reports to the Board of Police Commissioners become public record and may be posted on the LAPD website (7.03). Any limitation on report distribution shall be documented (7.44).

6. **Confidentiality** Department personnel must abide by all State and federal laws related to information obtained from audit work; as well as the Department Manual. Confidential information acquired by audit personnel must be held in strictest confidence. Such information is to be used solely for Department purposes and not as a basis for personal gain. Confidential information is transmitted only with the approval of the CO, AD, to those who need the information to discharge their duties. Any dissemination of confidential information without proper authorization will be considered serious misconduct and could result in disciplinary action up to and including termination.

D. Monitoring/Follow-up

Audit Division is responsible for tracking all the recommendations and their implementation. Audit Division is responsible for reporting the status of recommendations to the Board of Police Commissioners every six months.

E. Supervision

Policy

Supervisory oversight shall be documented prior to audit reports being issued (6.83c). The CO, AD, has overall responsibility for work quality and staff development (3.86-87). Audit supervisors are responsible for supervising staff, reviewing work product, and providing guidance to address audit objectives (3.86-87, 6.53-54). The nature of the supervision and the review of audit work may vary depending on a number of factors, such as the complexity of the audit, the significance of the audit, and the experience of the staff (6.55).

Procedures

Project Managers/Team Leaders are responsible for the review of all workpapers. It is the responsibility of the PM to address concerns related to the audit with the OIC or A/OIC. At the completion of each audit phase, the OIC shall complete a supervisor review. The OIC is responsible for the final review of workpapers to verify consistency, reasonableness, and accuracy related to scope, audit objectives, findings, and recommendations.

F. Reporting Misconduct

Department Manual Section 1/210.46, Employee's Duty to Report Misconduct, states, "*The reporting of misconduct and prevention of the escalation of misconduct are areas that demand an employee to exercise courage, integrity, and decisiveness. Department Manual Section 3/813.05 requires that when an employee, at any level, becomes aware of possible misconduct by another member of this Department, the employee shall immediately report the incident to a supervisor or directly to Internal Affairs Group.*"

In the course of an audit, an auditor may become aware of employee actions that may rise to the level of misconduct. In this case, the auditor shall notify his/her supervisor and the supervisor shall ensure the CO, AD, is notified for appropriate action.

G. Records Retention

The audit files will be retained for a minimum of two years at AD; at which time they will be moved to external storage, as specified by Department's record retention guidelines.

Section VIII: Non-Audit Service

Audit Division performs non-audit services, including consulting services. Non-audit services are not conducted in accordance with GAGAS. To distinguish them from audits, non-audit services are titled as "Special Project," "Follow-up Inspection." In this way, AD communicates to those charged with governance that these non-audit services do not constitute audits pursuant to GAGAS (2.12).

Policy

Any non-audit service provided to an entity shall be evaluated for possible future threats to independence for AD and auditors individually. If possible threats to independence are created by non-audit services, AD should determine whether safeguards are available to mitigate or eliminate identified threats. A critical component of this determination is consideration of management's ability to effectively oversee the nonaudit service to be performed.

If an auditor were to assume management responsibilities for an audited entity, the management participation threats created would be so significant that no safeguards could reduce them to an acceptable level. Under such circumstances, AD shall not accept the engagement.

According to GAGAS, the following activities are considered management responsibilities and would therefore impair independence if performed for an audited entity:

- Setting policies and strategic direction for the audited entity;
- Directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities;

Audit Division Policy and Procedures Manual

- Having custody of an audited entity's assets;
- Reporting to those charged with governance on behalf of management;
- Deciding which of the auditor's outside third party's recommendations to implement;
- Accepting responsibility for the management of an audit entity's project;
- Accepting responsibility for designing, implementing, or maintaining internal control;
- Providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the audit;
- Developing an audited entity's performance measurement system when that system is material or significant to the subject matter of the audit; and,
- Serving as a voting member of an audited entity's management committee or board of directors.

Procedures

The auditor will:

- Evaluate the engagement to determine whether it requires AD to assume management representation;
- Prepare a planning memo to describe the nature of the non-audit service to be performed;
- List the threats identified that may impair the auditor's independence;
- Identify any safeguards that may be in place to reduce or mitigate the threats;
- Complete the test work; and,
- Notify in some formal communication of non-audit service results.