

# The Auditors Are Coming!

## A Practical Guide for Engineering Projects

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# Introduction

- Don't Panic—Audits are a normal management function, and many are initiated on pre-existing schedules
  - Audits assess adequacy of management and control systems, and compliance with the systems
- Fewer audits are initiated in response to problems or allegations of wrongdoing

# Audit Basics

- Two categories of audits: internal audits and external, or independent, audits
- Internal audits are performed by auditors employed by the audited organization for someone in the organization
- External audits are performed by auditors employed by an external organization
  - Some are initiated by the audited organization, others are initiated by an external organization

# The Audit Process

- Varies by the type of audit and the practices of individual auditors
- Standards exist and are practiced widely, but auditors must adapt their practices to widely varying activities and environments
- The typical audit process:
  - Audit initiation
  - Auditors plan the audit
  - Audit Announcement to audit subject(s)

## The Audit Process, *cont'd*

- Audit Kick-off Meeting
- Audit field work/data gathering begins
- Audit data analysis, follow-up, and data verification
- Preliminary Audit Findings, Conclusions, and Recommendations
- Audit Close-out Meeting
- Write & issue the Audit Report



# Project Design and Audit Requirements

- Every large Project needs a *Project Audit Liaison* (e.g., the Project's financial manager)
  - Organizations with many Projects and/or a number of smaller Projects often have dedicated Audit Liaison staff in the CFO or Controller Office
- Project Audit Preparations
  - Well maintained Project records greatly facilitate the audit process !!!
  - Liaison familiarizes him/herself with parent organization audit policies

## Project Design and Audit Rqmts, *cont'd*

- Liaison knows Project's parent unit Audit Office staff and/or Audit Relations Manager
- Liaison is familiar with the recent audit history of the Project(s), sub-unit and/or parent unit
- Liaison understands the sources of audits
  - Audits can be requested or required by a parent unit, customer, contractual requirement, statute, or regulation
  - Regularly-scheduled audits
  - Event-driven audits

## Dos and Don'ts During An Audit

- Manage the audit process
- *Always remember:* the auditor(s) hold the pen that writes the audit report
- Treat auditors in a businesslike manner
  - Internal auditors
  - External auditors
- Resolve audit-related issues in a businesslike manner

## Dos and Don'ts During An Audit, *cont'd*

- Be cooperative; don't be obstructive
- Show auditors the strengths of your business systems and personnel
- If prudent, show auditors where you believe relevant changes would be productive
- Ask the Project's parent organization for help, if needed, to properly respond to the audit

## Audit Information Resources

- Your organization's internal audit office, CFO, hired CPA firm, or legal office
- AICPA <http://www.aicpa.org>
- FASB <http://www.fasb.org>
- GASB <http://www/gasb.gov>
- U.S. GAO <http://www.gao.gov>
- FAC <http://www.harvester.census.gov/fac/>