

Local Government Auditing Quarterly

The Journal of Local Government Auditing | Winter 2015



Training & Travel

Featured Articles

- Management Oversight of Travel Expenses: Lessons Learned from the Auditor Approving ALGA's Travel Spending
- When Is More Training an Appropriate Audit Recommendation?
- The Streamlined Per Diem Versus the Actual Hassle
- Maximizing Value From Travel Audits: The San José Way
- Plus Others...



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About the Quarterly

The Local Government Auditing Quarterly (LGAQ) is published four times a year – in September, December, March, and June – by the Association of Local Government Auditors (ALGA)

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Opinions expressed in the Local Government Auditing Quarterly are those of individual authors, and they may differ from ALGA's policies, official statements of ALGA committees, or those of an author's employer.

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City and County of Denver, CO

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From the Editor



Welcome to the second issue of the LGAQ featuring our updated layout. We received a lot of positive feedback after the debut this fall; keep sending your feedback my way. I am incredibly proud of the work that the Publications Committee put into our fresh design. I hope you continue to enjoy the reading experience as we work toward becoming an online-only publication.

Our content in this issue focuses on training and travel, and we have some great feature articles for you that answer the following questions:

- How much management oversight of travel expenses is enough?
- What is less hassle – using per diem rates or actual expenses for travel reimbursement?
- How can you use employee travel audits to identify other city risks?
- When is more training an appropriate audit recommendation?
- Should you consider getting some of your professional training from a non-audit source?

In his regular Opportunities for Improvement column, Gary Blackmer provides valuable insights on building an audit schedule. (He also announces his retirement...but thankfully not from writing his column!) And our resident tech wizard, Nicole Dewees, walks you through how to create and apply a custom color palette to your next audit report or other deliverable in her AudiTechie column.

Don't stop short of reading our final feature article this month; I guarantee it will make you think and make you laugh. Andrew Keegan from Austin explores optimism as a professional trait in auditing. You'll probably finish the article wanting to conduct the same "unofficial, highly unscientific office-wide poll" to identify your glass-half-full colleagues.

Personally, I'm optimistic that you will consider contributing to an upcoming issue. Our Spring 2016 issue will focus on Auditing Utilities (articles due February 15) and the Summer 2016 issue will focus on Auditing Education (articles due May 16). Even if you do not have any direct experience in these areas, think about who in your professional network might—and reach out to them.

I hope you enjoy some much deserved time with family and friends during the coming weeks. Happy Holidays!

--Emily Jacobson

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WEBINARS

Simple Statistical Tools for Performance Auditing

January 12, 2016

2:00 - 3:00 p.m. Eastern time

Topic: Workers' Compensation

February 9, 2016

2:00 - 3:00 p.m. Eastern time

ANNUAL CONFERENCE

2016 ALGA Annual Conference

May 23-24, 2016

Sheraton Austin at the Capitol
Austin, Texas

Pre-conference workshops will be held on May 22; post-conference workshops will be held on May 25.

EVENT REGISTRATION AND MEMBERSHIP MANAGEMENT PORTAL

ALGA's event registration site can be found at alga.membershipsoftware.org.

At this site you can:

- Register for any ALGA event
- Update your contact information and renew your membership
- Access ALGA's online directory
- Access ALGA's members-only online training resources

Questions about the event registration and membership management portal may be directed to ALGA Member Services at (859) 276-0608.

ARCHIVED WEBINARS & FREE TRAINING VIDEOS

Miss a webinar that you really wanted to participate in? You can access ALGA's archived webinars on the membership management portal at alga.membershipsoftware.org!

Most of the webinars cost \$50 and are worth one credit of self-study CPE (not NASBA-certified). There are also several free archived webinars.

ALGA members may view several free training videos in the portal. Videos in the following areas are available:

- Managing Audit Engagements
- Risk Assessment
- Fraud
- Information Technology
- Public Safety
- Public Works
- More!

You must be a current member of ALGA to view the archived webinars or to access the free training videos.

BUILDING THE ANNUAL AUDIT SCHEDULE

By Gary Blackmer
Director, Oregon Audits Division



I think the audit schedule contains the most important decisions that an auditor makes. Other people think so, too, because they have often asked me about it. And I'm sure you have also been asked, "How do you choose what to audit?"

If the answer is, "The audit committee decides," then this column may not have as much value for you. I have always worked for, or been, an elected auditor, and the decision rests with that person. Rather than a committee, the elected auditor answers to the voters and there is more discretion to choose topics that maximize the value of the office.

I've written before about cost-benefit thinking, but that judgment is limited by the quality of potential audit topics you are comparing. The better the topics to choose from, the better outcomes you can achieve.

The first step is to always have a long list of fresh audit ideas, and they need to be good. The ideas should be coming from many sources. You need to capture them somewhere, in a topics "bin," a shared folder, a simple database, a "suggestion box"... memories are not reliable.

Here are key sources of audit topics:

From the Audit Teams - If the auditors keep sharp, they'll see several audit topics in the beginning, or scoping phase of the audit. Each of those topics outside their audit should be preserved for consideration with the next audit. They may encounter another idea in the course of their fieldwork. Capture these ideas! Better yet, have them rough out the finding or issue and put it in your topics 'bin'.

Findings and Failures Elsewhere - Read other audits that might give you ideas. Talk to auditors in peer jurisdictions on topics they are thinking about. Read newspaper stories about breakdowns in other parts of the country. When one

If management can't get the fundamentals right, like accounting or procurement, it's unlikely to succeed at its more complex responsibilities.

agency has a problem, think about the agencies in your jurisdiction that face similar risks. Be careful that you don't filter out other problems in pursuit of that one issue though.

Chaotic Organizations - I subscribe to the idea that an organization that can't cope with problems in one area is also likely to struggle in other areas. If management can't get the fundamentals right, like accounting or procurement, it's unlikely to succeed at its more complex responsibilities. They may complain, but if you keep finding serious problems that affect the public then you shouldn't stop until things and people are safe and secure.

Fish the Unfished Rivers of Data - Agencies commit major resources to build systems and input data, but they usually exert much less effort figuring out if the data tells them anything. You should jump at the chance to audit raw data that could help you get at core management weaknesses. Look for variances in results, then look for causes. Plan to get access to the data early in the audit because you have the tools, you have the skills to catch some big ones.

Hotline - Sometimes a pattern of problems will crop up. Sometimes they are complaints about inefficiencies that might be better addressed with an audit than a one-off investigation. Capture them and get them on your schedule.

Critical Government Functions - What government services or activities involve dangerous or very expensive decisions or actions? What vulnerable populations are employees caring for, or contracting for their care? What disasters could occur that your government isn't prepared for? These questions should generate audit topics, maybe more than you would like. It's better to find the problems when they are small than to be called in after the worst happens.

System Perspective - Government agencies are often interconnected to perform their work. Not just the criminal justice system, but education of kids depends upon good handoffs from kindergarten through college, treatment programs need a mix of residential and outpatient services connected with health and mental health programs, and transportation planners need to coordinate among state, cities, and counties. Where do things break down in these systems? Auditors have the ability to look across organizations at the bigger picture - nobody else can do it as well.

Themes - After conducting audits in these systems, sometimes the hard won knowledge from multiple audits reveals patterns and root causes that need to be highlighted. Expecting someone to read four or five audits is unrealistic, but summarizing the larger, deeper issues and recommendations in a brief report will make them accessible with a quick read. The GAO's high risk series is a great example. These 'capstone' audits can be highly effective for a relatively small effort.

Sometimes a good topic will jump out at you in the most unexpected situations.

Electeds - If you are producing meaningful results, you are likely to get many audit requests from elected officials. Some will be great ideas, some won't. But make sure they all know you will 'add them to your long list of potential audit topics'. You should also make the effort to tune in to areas where an audit could improve decision-making, especially if you can anticipate the discussion and issue an audit to lay the fact-based foundation just as it is needed. Listen for the important questions that an audit could answer, the barriers to better decisions, the folklore that may not be accurate. Attending hearings, interviewing key officials, and tapping into executive leadership can all generate audit ideas.

Department Heads - Good managers want to find out ways to improve, and if they see your audits as constructive, they will ask you to audit complex and important topics. Your audit toolkit and independent perspective can leverage big change for them. When you recommend strategies to address one of their critical challenges then it's a win-win, especially if you note in the report that they requested the audit. The other promising situation is shifting your schedule to produce an audit of key topics to hand to a new director of a department, upon the departure of the previous one.

Conversations - Your everyday life puts you in touch with stakeholders, clients, or neighbors who had some experience with one of your government's departments. While their perceptions will be anecdotal, you shouldn't pass up the opportunity to ask some casual questions about their impressions. Sometimes a good topic will jump out at you in the most unexpected situations. Capture it and consider it.

'Telescoping' - This all requires a conscious effort to scout for topics and record them for later consideration. With a long list of potential topics, the prospect of choosing can be daunting. One way to pick successful topics, and to increase your audit efficiency is to perform a bit of pre-audit work. Actively commit some hours to data analysis, interviews, research literature monitoring, and other efforts to spot issues, and get them on your schedule. You don't want to approach an agency before you've decided on an audit; so much of this should be performed at a distance. (The phase before scoping might be called 'telescoping'.)

If you've made a good effort, you should have a list of topics that would take six or eight years to complete. And, if you continue these practices next year, you'll take a few off the list, but add even more.

You might feel overwhelmed with the audit territory that needs to be covered. That brings you to the next important step, how do you choose among all these topics to place on the audit schedule? I will leave you in suspense until the next Quarterly, when I discuss the numerous considerations and strategies.

Just a brief note. You might hear that I am retiring this month after 30 years in this wonderful profession of local and state auditing. I continued to learn new things every day, and started capturing them in this column. I have more to share and will continue to submit writing until I've run out of topics, or the kindly editors tell me to stop.

About the Author

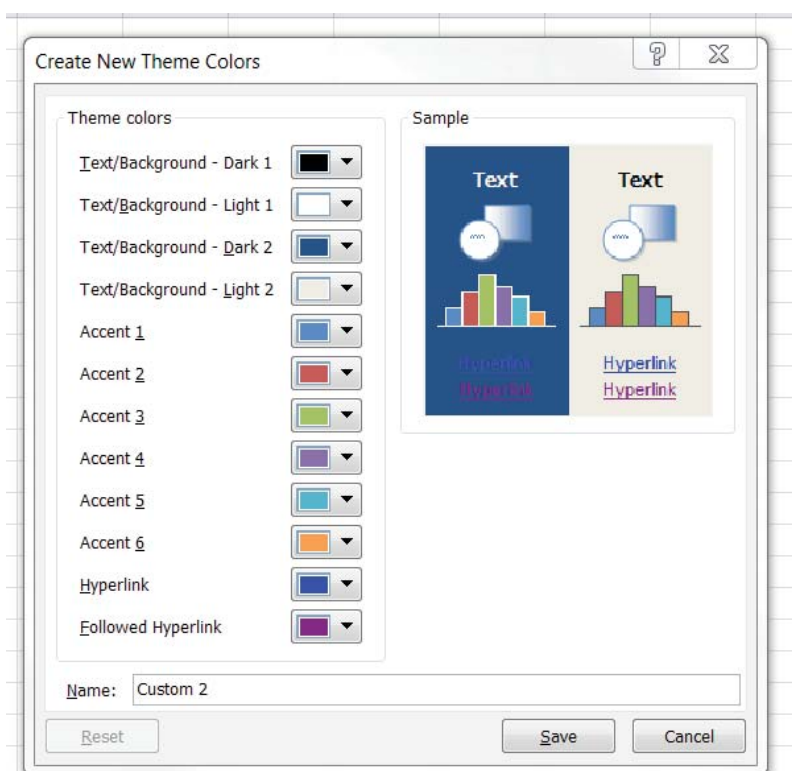
Gary Blackmer has been conducting audits for 30 years, currently serving as Director of the Oregon Audits Division. The Division conducts performance, financial, and information technology audits, monitors financial audits of local governments, and responds to hotline allegations. Previously, Blackmer served 10 years as the elected Portland City Auditor, eight years as elected Multnomah County Auditor, a management auditor, and analyst for a variety of state and local agencies. Blackmer is a past-Chair of the Pacific Northwest Intergovernmental Audit Forum, and past-President of the Association of Local Government Auditors. He received the ALGA Lifetime Achievement Award in 2015.

CREATING THEME COLORS IN MICROSOFT OFFICE

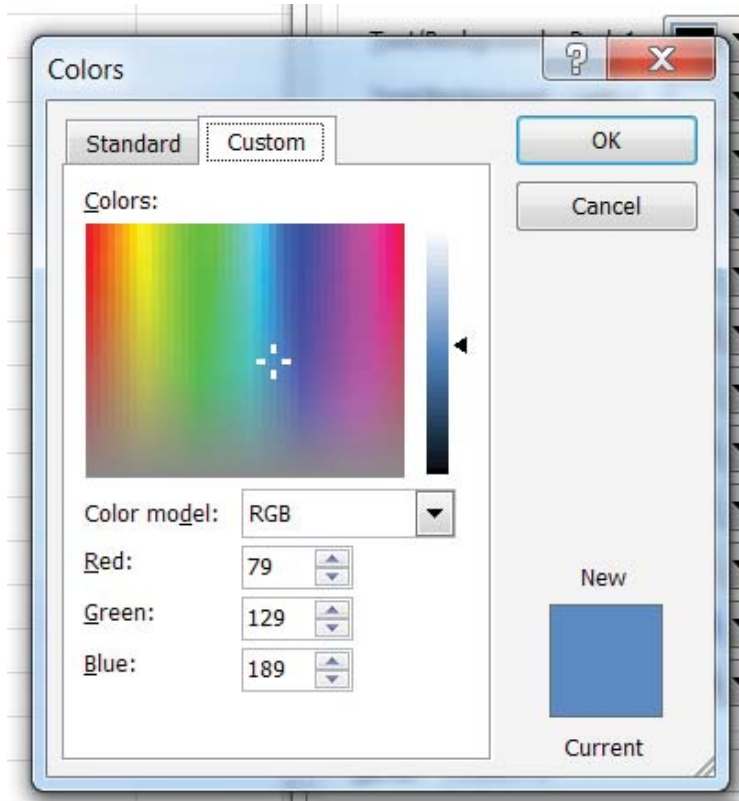
By Nicole Dewees



Many audit shops have established guidelines for which colors they use in their audit reports. After you decide on a color palette, it can be time consuming to apply the colors to every chart. However, you can make this process easier by creating a custom color palette in Microsoft Office. Within Excel or Word, go to “Page Layout” in the ribbon at the top of the screen. Click “Colors” and select “Create New Theme Colors.” A window will pop up that looks like this:



Select the colors you would like to change by clicking on a color and selecting “More Colors...” This will bring up a screen like this:

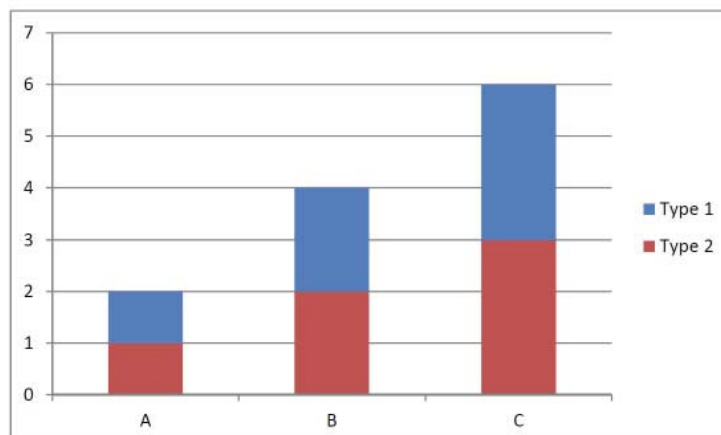


Select from one of the standard colors on the “Standard” tab or enter values for red, green and blue using the RGB color model. If you have already established your colors, but have them as CMYK (cyan, magenta, yellow, and key) or color-hex values, there are many color conversion tables available online. Click OK when you’re done. Go through each of the colors and change them to your custom colors.

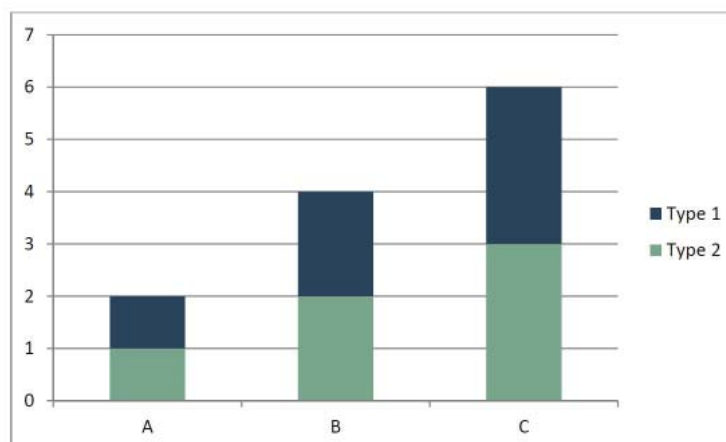
Make sure to give this new palette a name.

Name:

In the future, when you create a chart in Excel, you can easily change the colors. For example, when you create a new chart, it will automatically default to the Excel colors.



To apply your color palette, click on the chart and choose “Page Layout” and “Colors.” Select the palette you created. It will automatically change your chart colors accordingly.



Make sure you save the color palette for all Windows programs you use to format your report. Also, make sure everyone who works on reports has the same color palette saved on their computers.

About the Author

Nicole Dewees is a Senior Management Auditor in the Multnomah County Auditor’s Office. She has a Master’s degree in Business Administration and is a Certified Internal Auditor. Prior to joining Multnomah County, Nicole worked as a management analyst for the Washington State Employment Security Department and as a research analyst for the Washington Small Business Development Center.

MANAGEMENT OVERSIGHT OF TRAVEL EXPENSES: LESSONS FROM THE AUDITOR APPROVING ALGA'S TRAVEL SPENDING

By Kristine Adams-Wannberg



A magnifying glass is positioned over a spreadsheet, highlighting a specific row of data. The spreadsheet contains columns for various categories and numerical values. The highlighted row shows a value of 518003 in the first column, 99.00 in the second, and 99 in the third. Other rows show values like 506781, 92001, 95001, 94011, 514278, 534941, 90010, and 00120.

Category	Value 1	Value 2	Value 3
506781	0.00	0	
92001	0.00	0	
95001	0.00	0	
94011	0.00	0	
514278	0.00	0	
518003	99.00	99	
534941	0.00	0	
90010	20.00	20	
00120	0.00	0	

Government travel expenses seem to be an easy target for public disdain. There are likely many reasons. Travel costs are more easily segregated and visible in budgets, and they tend to add up quickly. There is also an underlying public perception, sometimes expressed in the media, that employees attending a conference or training are out just to have fun and are wasting public resources.

Travel and training audits are good ways to determine compliance with policies and procedures, but they can often focus too much on the details of reimbursement calculations and too little on management practices for reviewing, approving, and monitoring these expenses. As auditors, we should not just look for supervisor signatures on travel forms. For example, we can imagine a trip where all of the rates were appropriate and all of the receipts are in order but where the trip was not necessary. We need to look deeper and assess management's overall approach.



Source: U.S. Department of State

Ideally a government will require a pre-authorization form...as well as post-travel documentation.

In this article, I will propose a few ideas to consider when assessing whether management’s oversight of travel is sufficient. The oversight role hit home for me when I began my term in May 2015 as ALGA’s Treasurer. I found out quickly that I was not just reviewing budget to actual expenses and bills for conference costs. The Treasurer’s stewardship responsibilities also include looking at travel reimbursements for peer review teams as well as board members and committee chairs. ALGA Member Services works to help set up travel arrangements, and they serve as a control in reviewing expenses. As Treasurer, I serve as the management control that approves (or not) paying the reimbursement. While I have rarely seen problems with any ALGA reimbursement requests, the role has given me a chance to reflect on the problems that could develop in programs where a manager is not paying attention.

DETERMINE IF MANAGEMENT REVIEW OCCURS BOTH BEFORE AND AFTER THE TRIP

At the most basic level, auditors should determine if and when manager review and approval is occurring. Processes vary from jurisdiction to jurisdiction, but ideally a government will require a pre-authorization for the travel as well as post-travel documentation to identify the actual costs. The manager should sign those forms, indicating that he or she has reviewed and authorized the expenses. If the manager has not signed the forms, or if there is a pattern of sporadic signing, it may indicate that the manager is not reviewing the costs appropriately.

CITY OF PORTLAND TRAINING/TRAVEL AUTHORIZATION/REIMBURSEMENT

DATE: 1/23/2015
 NAME: Kristine Adams-Wannberg
 TRAVEL DATES: Friday, May 1, 2015 to Wednesday, May 6th, 2015 INTEROFFICE ADDRESS: 1317310
 DESTINATION: San Diego, CA
 TITLE OF TRAVEL: TRAINING 2015 ALGA Annual Conference, Peer Review Committee Meeting, and Pre-conference Workshop
 PURPOSE OF TRIP AND BENEFIT TO CITY: Obtain CPE, Attend Peer Review Committee Meeting, Present at Conference

If an outside agency is providing funding, denote here: _____

TRAVEL COST SUMMARY: Cost Estimate

If any costs exceed City guidelines, attach an explanatory memo

	1. ESTIMATED (Before)	2. ACTUAL (After)	COSTS PAID BY CITY		5. COSTS PAID PERSONALLY
			3. CHECK OR OTHER	4. PROCUREMENT CARD	
1. Transportation Airfare (name: Alaska Airlines) \$ 238.00 Auto: _____ miles @ _____ per mile Rental car (agency) _____					
2. Lodging- (Room rate) Before: 5 days x \$ 142.00 (daily rate) \$ 710.00 After: _____ (daily rate)					
3. Meals - Per Diem Estimated: 6 days x \$ 71.00 (daily rate) \$ 355.00 Actual from Per Diem Calc: _____					
4. Fees, tuition Credit hours: 23 \$ 550.00 Training date: 5/2 to 5/6					
5. Special Expenses: (Itemize each) a. FOX Airport Parking \$ 60.00 b. Shuttle-Cab & tips \$ 30.00 c. Baggage fees \$ 25.00 d. _____ e. _____					
TOTALS	\$ 1,968.00				

TOTAL DUE EMPLOYEE: \$ -
 AUTHORIZATION NUMBER: _____

TRAVEL (INVOICE) NUMBER: _____
 EMPLOYEE/VENDOR #: _____

TRAVELER / AUTHORIZATION / APPROVAL SIGNATURES				
	BEFORE	DATE	AFTER	DATE
Employee	<i>Kristine Adams-Wannberg</i>	1/23/15		
Supervisor / Group Director	<i>[Signature]</i>	1/23/15		
Business Administrator	<i>[Signature]</i>	1/23/15		
Elected Official				

Source: City of Portland, Oregon

Managers have a responsibility to look for concerning patterns...to spot high-level trends.

Pre-authorization is important, because it can help identify whether the travel was much more expensive than originally considered. The two forms together serve as a good plan-to-actual, and significant departures should be documented. As an example, ALGA peer review teams have a pre-travel estimate that Member Services prepares in conjunction with the team members. The audit shop, the Peer Review Coordinator, and the Treasurer see these before the review, providing the audit shop with a good estimate of the potential costs involved. It also allows the Peer Review Coordinator and Treasurer the opportunity to ask questions about costs largely before they are actually incurred. This is particularly helpful if something happens during the peer review, causing a change in travel plans.

FIGURE OUT HOW ENGAGED THE MANAGER REALLY IS

An auditor can assess how much a manager is really paying attention to travel expenses. Having the forms signed is important, but it can also lead to a feeling of false security that the manager is actually paying attention and monitoring costs. Once a manager is familiar with a form and generally knows what to do, it is easy for him or her to do a quick check, if any, sign-off, and send it to Accounting. Auditors need to go further, however, and ask how a manager is reviewing the costs. For example, is the manager actually checking the receipts and other documentation? Is the manager comparing the pre-approval form to the travel reimbursement request? If there was a notable discrepancy, did the manager check into it further and document that? While this information should come from the manager, it also needs to be verified, to the extent possible, by other sources of evidence.

Auditors should also determine whether the manager is looking for trends and patterns. This is particularly important if there were multiple staff who attended the same event or if some employees are frequent travelers for their jobs. In the former case, did employees attend a training where many of the meals were provided, and did they all deduct those meals from their reimbursement? Were staff able to share a cab from the airport to the hotel? Did everyone, unless there was a special circumstance, use airport economy parking rather than the valet or premium parking garage?



Source: U.S. Department of Transportation

Managers should particularly monitor staff who regularly travel and be alert for fraud, waste, and abuse. Managers have a responsibility to look for concerning patterns, and they should not rely on an administrative assistant to spot high-level trends. For example, some governments have rules regarding who can book employee travel and methods of payment so that the government benefits from frequent flier miles or reduced costs. If some employees frequently book their own travel, they may be causing the jurisdiction to forego certain benefits and waste resources. A pattern to look for may be a staff member who regularly does not keep particular receipts but tries to justify expenses verbally or claims to not know the travel policies, despite traveling for work regularly.

In my work as Treasurer, I look for patterns. For example, for peer review teams, I compare the travel estimates with the after-travel reimbursement requests. If something looks strange, I contact the team member to ask for background information. I review whether members on ALGA business deduct meals already provided by the hotel or other organizations from the per diem calculations. I look at when people arrived at the hotel and when they departed to make sure the organization or audit shop being reviewed is not overcharged. If a group of people went to dinner, I look to see if they shared a cab compared to separate taxi expenses. If travel involves going to a Canadian site, I verify the exchange rates and calculations to make sure everyone on the trip was using the same rate on the same day. My approval of the reimbursement is documented through an e-mail communication with Member Services.

**ASSOCIATION OF LOCAL GOVERNMENT AUDITORS
EXTERNAL PEER REVIEW PROGRAM
EXPENSE REPORT**

Team Member Name: _____ Date Submitted: 8/1/2016
 Address: _____ Office Use Only: _____
 City & State: _____ Approved by: Tanya Grayson
 Zip Code: _____ Account No.: 100-02-5-1801

Organization Reviewed	HOTEL	MEALS	TRANS	OTHER EXPENSES	AMOUNT	TOTAL
Auditor General						
Date of Review: Aug 4-7						
Travel: July 31-Aug 7, 2015						
Expenses Reimbursed to Team Member						
US \$\$						
Airline Ticket at rate available for Aug 3-7			116.43			116.43
Travel 7/31				bag fee	25	25
Day 1 Aug 3	169.66			foreign transaction fee to exchange \$6	6.5	176.16
Day 2 Aug 4	169.66					169.66
Day 3 Aug 5	169.66					169.66
Day 4 Aug 6	169.66					169.66
Day 5 Aug 7				Bag fee plus foreign transaction fee	22.05	22.05
				Parking Airport for 5 days	24	24
Total this sheet US \$	679.64		116.43		77.55	1173.62
Total from Canadian \$ to US:	\$ sheet					407.65
Total all expenses						1581.37

SIGNATURE: _____

NOTE: Attach copies of all paid receipts (except meals). Mail the expense report to ALGA 464 North Capitol Street, NW - Suite 234, Washington, DC 20001, fax to the attention of Tanya Grayson, 202-624-5473 or email at tgrayson@algaact.org.

Quoted in my per ch 2015

Sample ALGA Reimbursement Request

Sometimes
programs evolve...
and travel policies
are not aligned.

Watch Out for Type and Frequency of Management Overrides

Auditors should always look for management overrides. The problem with overrides is not just that they sometimes occur. The problem is when overrides occur without a good, documented reason, and when they occur with regular frequency. For example, in spite of good efforts to estimate travel costs in advance, sometimes things happen. Airlines shut down due to computer glitches, weather may cause problems, and travel may get delayed. The organization may end up being asked to pay additional costs due to those problems that are not explicitly permitted by the agency's travel policy. Any time significant deviations occur, however, they should be explained.

Sometimes organizations need to reassess which costs are considered appropriate. Programs evolve and there are times when a program changes and travel policies are not aligned. In my early days of auditing, I reviewed the travel reimbursements for my city's economic development agency. One of the purposes of the agency was to attract businesses to the area, which meant some agency staff traveled regularly to meet with prospective companies. One of the interesting management overrides I found was approval to pay for alcohol during trips. This was against the agency's policy, but management approved the drink purchases because of the nature of the staff work to recruit prospective clients. Management should have either followed its ban or used a public process to seek changes to the agency's policy.



Source: U.S. Department of Justice

LOOK AT THE BIGGER PICTURE

Assessing an organization's controls over travel costs is a worthy audit topic. A good assessment, however, should include not only a review of particular reimbursements compared to policies, but it also look at management's overall practices in evaluating, authorizing, and monitoring those expenses. Without taking those actual practices into consideration, an auditor can miss examining whether a more important control is functioning and whether and how much the organization is at risk. That is likely a more powerful finding than discovering a per diem calculation error, and potentially the root of other problems in the organization.

About the Author

***Kristine Adams-Wannberg** is a Senior Management Auditor at the City of Portland, Oregon. She has worked there since 2003, and prior to that held financial analyst positions in local and state government. She has a Master of Public Administration degree and is a Certified Internal Auditor and a Certified Government Auditing Professional. In May 2015, she started serving a term as ALGA's Treasurer. She is a past chair of ALGA's Professional Issues Committee and also has served on the ALGA Peer Review Committee, and currently serves on the Publications Committee.*

WHEN IS MORE TRAINING AN APPROPRIATE AUDIT RECOMMENDATION?

By Lisa Callas



When auditing, identifying the root cause of an issue is a critical piece of our work. When processes are not resulting in the intended outcomes, the first step for root cause analysis is often to ask two questions:

1. Is there a problem with the process?
2. Is there a problem with the people?

Problems with the process can be the result of such things as poor documentation, ineffective systems, shortages of resources, or outdated practices. Problems with the people are often the result of vague governance, poor supervision, unclear roles, and individuals who did not know what they were supposed to be doing.

In the last case, it's often easy to jump to a solution. If people do not know what they are supposed to be doing, they should be trained. However, before putting this forward as an audit recommendation, there are a few things to consider:

1. Is this truly a group/business unit issue, or is it possible that the issue is limited to only a few employees? The line between a systemic issue and employee performance management is not always clear. Discussing options with an employee's supervisor or manager may provide more cost-effective alternatives to address an issue.
2. Have they been trained before? If they were trained before, why didn't it work? Before recommending more training as a solution to this problem, it's important to understand why it hasn't worked in the past or why the skills were lost in the interim.

Training can be viewed as a way to address an audit recommendation rather than fix a problem.

3. What other options are there? Training can be very time consuming and expensive. It may be a sledgehammer for a small nail. Can the issue be addressed through informal coaching, updating manuals, quick reference sheets, or a staff meeting? These are also ways of “training” but aren’t necessarily seen as such.
4. Is management genuinely open to more training? Note the word “genuinely.” This is critical to understand. When management understands that they have a complex issue that may be difficult to fix, training can be viewed as a way to address an audit recommendation rather than fix a problem. Training may not be taken seriously by the employees or supervisors. It may mean that everyone wastes a few hours in a classroom before going back and doing things the same way they were doing them before.
5. Is there high turnover in the business unit? Training may still be needed, but your recommendation will need to consider how this can be delivered on a regular, cost-effective basis.
6. Are there other causal factors of the issue? Training may be all well and good, but if there are system limitations, resourcing limitations, cultural issues, or performance management issues, training is unlikely to have a significant impact until these are addressed.

There is no such thing as an audit recommendation that is guaranteed to fix a problem, including training. There are, however, some options to help your recommendation for training achieve what it was intended to achieve:

- Keep your recommendation phrasing appropriately broad and focused on the outcome. For example, a recommendation that states, “Employees should be trained to complete Process A consistently” could be phrased, “Management should ensure employees have the knowledge and resources to complete Process A consistently and reduce the variation in response time.” This phrasing provides the opportunity for management to determine the most effective method of achieving the intended outcome and address the specific issue identified.
- Validate outcomes through follow up. If you make a recommendation for training that you believe may be at risk, establish a date and plan for follow-up testing with management as part of the audit exit strategy. Having a crystal clear understanding of exactly what the training is expected to achieve may help encourage management to make genuine change within a reasonable period of time. Test whether or not employees are consistently achieving the outcome, as opposed to whether or not management has implemented a training program.

Process efficiency and effectiveness depend on having a good quality process that is executed by people who know what they are doing.

- Bundle your recommendation for training with other actions related to the same outcome. If there are multiple recommendations that are all causal to an issue, bundling these together positions training as part of a bigger solution, rather than a stand-alone activity that may not be effective on its own.

Process efficiency and effectiveness depends on having a good quality process that is executed by people who know what they are doing. Making a recommendation for employee training can improve a process, provided that the knowledge gained in training is transferred to the work environment. Crafting a quality recommendation related to employee training can help support this process and add value to the business.

Special thanks to Mike Taylor, Director of Internal Audit at Hanover County, and Kerry Bailey, Principal Auditor-Analyst at County of San Luis Obispo for their input and ideas.

About the Author

***Lisa Callas** is an Audit Coordinator with the City of Edmonton, Alberta. Her background is in business analysis and communications with a focus on improving outcomes. Lisa has an MA in Communications and Technology, an MBA in Accounting and Finance, and a Certificate in Business Analysis.*

THE STREAMLINED PER DIEM VERSUS THE ACTUAL HASSLE

By Ruth Riddle, CPA, CIA, CFE



Anyone who has traveled for business knows the difficulty of managing travel expenses. I bring over 25 years of experience to the topic of travel expenses; with this experience comes an opinion about the merits of per diem (per day) payment versus actual expense reimbursement. Right up front, I want to alert you to my preference: per diem.¹

PROS OF PER DIEM

The use of per diem typically improves travel expense efficiency and encourages lower levels of spending. Some key advantages of the per diem approach are enumerated below.

- 1. Recordkeeping**—With per diems, employee and employer recordkeeping is reduced. The employee need not worry about meal receipts, and the employer no longer has to review expense reports laden with receipts.
- 2. Choices**—The employee can exercise greater control over the choice of restaurants. If the employee wishes to consume a higher-priced or lower-priced meal, it is of no concern to the employer.
- 3. Prudence**—Per diems encourage employees to become partners with the employer in controlling travel expenses. Since employees receive a fixed amount, the employee is motivated to keep the cost of meals below the per diem.

I am promoting the KISS philosophy (keep it simple sweetheart). Per diems are not extravagant sums.... \$69 in San Francisco is not going to buy you dinner at a fine restaurant in that city, much less three meals.

- 4. Predictability**—A per diem arrangement allows the employer to budget travel expenses more accurately. If an employer knows that 10 employees will spend an average of 50 days a year traveling, the employer can easily calculate costs of annual travel expenses for meals.

WHILE PER DIEM USAGE PROVIDE ADVANTAGES BOTH EMPLOYEE AND EMPLOYER, THIS APPROACH DOES CARRY SOME RISKS

- 1. Updating**—One challenge is establishing rates that are fair when employees travel to both low-cost and high-cost areas. Even when employers establish urban and rural, and domestic and international rates, there will be localities with cost structures inconsistent with the low-cost or high-cost designations. Once developed, per diem rates need to be updated annually. To be a qualified per diem plan, the plan must be revisited annually by the employer, to ensure the rates are current and in conformance with the Internal Revenue Service. An unqualified per diem plan could result in tax implications for employees.
- 2. Inequities**—Once established, per diem programs can enrich some travelers while penalizing others. If a traveler consistently embarks on trips during the afternoon and according to company travel policy receives a full day's meal per diem, he or she receives proportionately greater reimbursement than the traveler who consistently leaves first thing in the morning. Another potential source of inequity is the convention-provided meal. If the convention offers certain meals, the employee's per diem covers an expenditure he or she did not make.
- 3. Imprudence**—Although per diems may transform employees into prudent purchasers, some employees may respond with undesirable purchasing practices. Some employees may use per diems like income. Others may make inappropriate choices (four martinis instead of a nutritious meal).

THE STREAMLINED PER DIEM

A streamlined per diem captures all of the advantages of per diem plans while reducing some of the inherent inequities. I am promoting the KISS philosophy (keep it simple sweetheart). Per diems are not extravagant sums. The current per diem of \$69 in San Francisco is not going to buy you dinner at a fine restaurant in that city, much less three meals. Some travelers will spend less; some will spend more. I recall a former colleague who ate all of his meals at McDonald's when he traveled. In this way, he "made" money with his per diem. I, on the other hand, always lose money when I travel on a per diem. When I am in a new city, I want to dine at the best restaurant in town. Thus, my per diem merely reduces my costs. Also, I want to have wine with my dinner. If you work in government, alcohol is not reimbursable.

From management's perspective, reviewing all of those receipts, or obtaining affidavits for the lost receipts, is extremely time consuming.... I spent several hours trying to understand why a \$17 charge was disallowed.

If your organization wants to split hairs and reduce per diem, depending on the time of day an employee departs on travel, you are violating the KISS philosophy. The per diem concept is to minimize paperwork. If you leave on a trip on a Monday and return on a Friday, you should earn five days of per diem, no matter what time of day you depart and return. If you have instilled in your employees organizational values, it is going to be a rare employee who leaves just before midnight to earn the first day's per diem or returns just after midnight to earn the last day's per diem. If people are treated with respect, it is my experience they will return that respect. Principles based guidance is preferable to rules-based guidance.

Would I recommend per diem rates for hotel? No. Often, hotels are selected by the event planners. It is my experience that employees want to stay at the "convention" hotel. It is not unusual for convention hotel rates to exceed per diem rates. Do you want to preclude your employees from staying at the convention hotel? If not, it is imprudent to have a hotel per diem rate. Certainly, your organization may want to define a reasonable hotel rate and tie it to the per diem for lodging, but not constrain employees from staying at the "convention" hotel.

Finally, what about per diems when meals are part of an event? It is my experience that many travelers do not partake of the convention meals for a variety of reasons. Some travelers want their meals by themselves, and some do not want to dine at all, preferring to walk out and stretch their legs. Travelers should have these freedoms.

THE ACTUAL HASSLE

While reimbursing based on actual expenses presents a veneer of greater control, this approach actually can create additional costs for immaterial returns. Upon returning to the office, employees must organize the receipts and complete an expense report. This is a time-consuming, error-prone process. How many times have you misplaced a receipt? How many times have you been questioned by the accounting staff about an expense they considered unallowable? How many times have you foregone the poor quality convention meal and spent your own money on a good meal, for which you were unable to request reimbursement?

Most people enjoy wine with dinner and, most likely, a cocktail before dinner. Those purchases must be charged on a personal credit card (in the government environment). The food can be charged on the government credit card, or, if charged on a personal card, it must be circled and identified as reimbursable, separate from the wine and cocktails. Wait staff can be less than pleased when asked to split the food check and drink check. It is a definite hassle to keep track of these receipts and parse meal charges between personal and business.

Traveling for business is work. Anything an organization can do to make employee travel more pleasant is an incentive for employees to do good work and represent their organization well.

From an auditor's perspective, do you really want to spend a lot of audit effort combing through travel receipts looking for unallowable expenses? Yet, when governments use the actual expense reimbursement for travel, taxpayers are quickly disturbed by unallowable reimbursements to government workers and elected officials, even if those expenses are only a few hundred dollars. Headlines are easy to write in the area of unallowable travel expenses.

From management's perspective, reviewing all of those receipts, or obtaining affidavits for the lost receipts, is extremely time consuming. I remember an instance of my own where my colleague and I spent several hours trying to understand why a \$17 charge was disallowed. If time is money – and it is – we spent several hundred dollars in labor hours to understand this disallowed expense, because the policies for reimbursement of actual expenses were unclear.

Per diems may not work at times for meals of elected officials and executives. There may be legitimate business reasons for them to dine with peers at venues where a per diem would be woefully deficient. In those instances, it would be appropriate to allow them to complete a simple form that justifies the exception and allows them to charge actual costs, beyond the per diem.

Traveling for business is work. Anything an organization can do to make employee travel more pleasant is an incentive for employees to do good work and represent their organization well. The business purpose of the trip should be the primary focus. Did your organization benefit from the travel? Were the objectives of the trip achieved? The best controls should facilitate the achievement of business objectives without imposing costs that are greater than the benefit.

AND THE WINNER IS...PER DIEM!

A per diem that the employee can put in her pocket prior to the trip will alleviate the hassle of collecting actual receipts and thereby accrue benefit to everyone in your organization. In these days of striving for greater efficiency without sacrificing effectiveness, the per diem is the odds on winner.

APPENDIX

For domestic travel, the U.S. General Services Administration maintains per diem rates: <http://www.gsa.gov/portal/category/21287>.

For international travel, the U.S. State Department maintains per diem rates: https://aoprals.state.gov/content.asp?content_id=233&menu_id=78.

For example:

Country	Location	Meals
United States	San Francisco	69
Brazil	Rio de Janeiro	157

Here in Washington State, the Office of Financial Management publishes federally-approved per diem rates: <http://www.ofm.wa.gov/resources/travel/bwmap1015.pdf>

NOTE

¹ This article focuses primarily on meal per diems. There are also hotel per diem rates.

ABOUT THE AUTHOR

***Ruth Riddle** has 28 years of experience in auditing. She worked as an Assistant Audit Manager with the Washington State Auditor for 16 years and provided consulting services to government and private organizations for four years, prior to joining the Port of Seattle. She is experienced in financial audits, single audits, operational/performance audits and fraud investigations.*

MAXIMIZING VALUE FROM TRAVEL AUDITS: THE SAN JOSÉ WAY

By Michael Houston



The approach our office takes is typical as far as travel audits go. We review travel records and supporting documentation against established rules and standards of prudence. And our results – though sometimes upsetting – are just as typical. In a [2008 travel audit](#) we found that a few employees inflated their reimbursement claims, employees failed to submit receipts and supporting documents, unauthorized staff approved travel, and employees incurred allowable but imprudent costs.

The subsequent audit report led to newspaper articles with headlines like, “City workers charging taxpayers more than they should on official trips.” At City Hall six employees repaid thousands of dollars of ineligible expenses to the city. One employee was fired. These problems with the travel itself were only part of the story. From our 2008 travel audit, we followed-up with more travel auditing, modified the follow-up with strategic scoping and sampling, tested related processes affecting travel, and used findings to inform other audits. These steps have increased the value of our travel audits by identifying risks and needed improvements beyond employee travel.

FOLLOW-UP PROVIDES ONGOING ACCOUNTABILITY AND POLICY REVIEW

For us, every year offers potential audit subjects that do not even make our annual audit work plan. And there are also more audits on our ambitious work plans than we have time to complete. Employee travel suffered from both of these occurrences. While we have a general guideline to review employee travel every two years or so, we did not follow-up with another travel audit until 2013. In

Travel by executive employees may be more likely to present review and approval conflicts.

some ways, however, the delay offered some unintended benefits. The controls implemented from the 2008 audit had time to “fully cook.” Also, the timing allowed for the accrual of a large number of trips subject to the new travel policy. During our [2013 travel audit](#), we found problems in nearly 80 trips of the more than 300 we reviewed. And, lo and behold, many of them were the same as those we found in 2008. This confirmed the importance of following up.

Awareness of travel policies fades over time, and at least a small percentage of employees will intentionally violate the rules. Because of this, travel audits will always expose violations. Some level of non-compliance is inevitable, which is partly why we conduct these audits in the first place. Catching careless or dishonest behavior can deter future wrongdoing, and informing management of employees with problematic trips may help identify which employees’ travel activity may need closer monitoring in the future. And when other traveling employees and travel approvers learn we are auditing, they may be deterred as well.

Follow-up audits also allow for a fresh review of internal controls. In the time between our two audits, some aspects of the employee travel policy had become obsolete. Revisions were needed to reflect changes in organizational structure, travel trends, and technology. For example, the travel policy required employees to submit boarding passes to substantiate airfare expenses as a result of our previous audit (when we found that employees were being reimbursed for flights they never used). By 2013, the boarding pass requirement had become a source of frustration from travelers who increasingly used digital boarding passes.

We also found that even after the complete overhaul of the travel policy since the last audit, serious problems persisted. Examples included a \$3,900 cash advance that had never been reconciled, and numerous employees receiving mileage reimbursements for driving to Southern California events when air travel would have cost half as much. Clearly, there were areas where travel policy needed to be more restrictive.

DIFFERENT SCOPES AND SAMPLES SUPPORT DIFFERENT OBJECTIVES

In some ways our 2013 audit was a simple follow-up audit, in that we wanted to assess progress from what we had previously found. But “follow-up” belies the contrasting scale, scope, and methodologies we used for the 2013 audit.

In 2008, we reviewed all travel for a two-year period in one department: the Retirement Services Department. For that audit, sampling 100 percent of the travel records allowed us to describe all travel within that department. But for the 2013 audit, we sought to review travel throughout the entire city and its departments. This time around, our priority was to find problems in employee travel—and to find the causes of those problems.

We reviewed a judgmental sample of trips we considered to pose the highest risk. For example, we determined that departments with a lot of frequent travelers may have overwhelmed approvers. We determined that travel by executive employees may be more likely to present review and approval conflicts. We also suspected that group trips may reveal inconsistent expenses and missed opportunities for travelers to share costs. Fieldwork confirmed our assessment of risks. In fact, departments with high numbers of frequent travelers had a disproportionate number of problems, management employees' travel itineraries were assigned to subordinates for review and approval, and group travel often was not coordinated to save costs. Obviously, we made recommendations to address these findings.

TRAVEL AUDITING IS MORE THAN CHECKING THE TRAVEL RECORDS

During both travel audits, our search for problems and root causes took us to places outside the city's travel records. This expansion led us to some valuable findings, recommendations, and insights on other risks in the city.

Even though our 2013 audit was not a procurement card (p-card) audit, we identified p-card transactions as a specific and significant risk. As a result, in our judgmental sample we heavily sampled p-card transactions related to employee travel. We found, among other things, that travel expenses transacted through p-cards were often not documented in the travel files. We would not have even known about them if we did not review p-card transactions.

Other problems with p-cards included employees receiving per diem reimbursements for meals even though they had already used their p-cards to cover meal expenses. P-cards were also used to pay for prohibited rental car and room upgrades. These problems arose in part because travel approvers and p-card approvers were different, and both groups were approving their respective transactions in isolation. From all of this, we made recommendations to strengthen the city's p-card rules, and to improve the coordination between staff tasked with reviewing and approving employee travel and those tasked with reviewing and approving p-card transactions.

Our travel audits also led us to look into employee gifts and disclosures. During our 2008 travel audit, we learned through interviews that it was common for consultants to offer gifts in the form of excursions, entertainment, and meals, and that our employees accepted them. To us, this phenomenon presented the potential for conflicts of interest—the kind specifically addressed by California State law and the San José Municipal Code.

Though not always comprehensive, our local laws and regulations are specific about when public employees need to reject gifts. For the very

Travel expenses transacted through p-cards were often not documented in the travel files.

limited circumstances when gifts are allowed, city employees are compelled to accept, record, and report those gifts in specific ways. When learning about gifts, we looked to see whether the traveling employees had properly disclosed them. They had not. Our findings regarding gifts and disclosure requirements left us concerned about the citywide prevalence of noncompliance with gift and disclosure rules.

TRAVEL AUDITS CAN PROVIDE INSIGHTS FOR OTHER AUDITS AND FOR CITYWIDE RISK

Findings and recommendations related to p-cards and gifts and disclosures informed future audits of those respective topics. Our [p-card audit](#) drew on findings from the earlier travel audit by considering travel activity as a specific and significant risk within the p-card program. That audit outlined recommendations to improve oversight and streamline processes. After we found that traveling employees were accepting gifts of travel and accepting gifts while on official travel, we added an audit of [gift and income disclosures](#) to our work plan. The resulting audit report included recommendations to address employee noncompliance with city and state requirements for disclosing gifts and economic interests.

Getting to the bottom of the problems we found with employee travel, we learned that many were at least partly due to disruptions in the organization. Budget cuts led to severe reductions in San José's workforce, and by 2012 it was only 75 percent of its level in 2002-03. During this time, work shifted to fewer employees, and some work just did not get done.

The city's internal support functions, such as travel oversight, were deeply cut, thus affected by the turmoil. One of the ways the organization survived this period was by delegating its travel review, approval, and tracking to individual departments. The departments were supposed to be independently enforcing the centralized citywide travel policy. This was problematic because Finance Department staff knew the travel policy best. Also, key staff within the departments left city employment and transferred to other departments. This degraded expertise regarding the travel policy throughout the organization.

While auditing employee travel, we saw these weaknesses, as we did later while auditing the p-card program. We noted how problems like untimely submissions of paperwork, inadequate separation of duties, and unauthorized approvals could also be present in other internal support functions. There was a good chance that there were weak controls causing problems elsewhere, including areas such as accounts receivable, accounts payable, timekeeping, purchasing, and contract management. We audited these functions as well.

Problems like untimely submissions of paperwork, inadequate separation of duties, and unauthorized approvals can also be present in other internal support functions.

CONCLUSION

Employee travel presents a tremendous risk to governments—not necessarily in the form of financial losses, but in the form of damaged reputation and diminished public trust. Conducting travel audits acknowledges this risk.

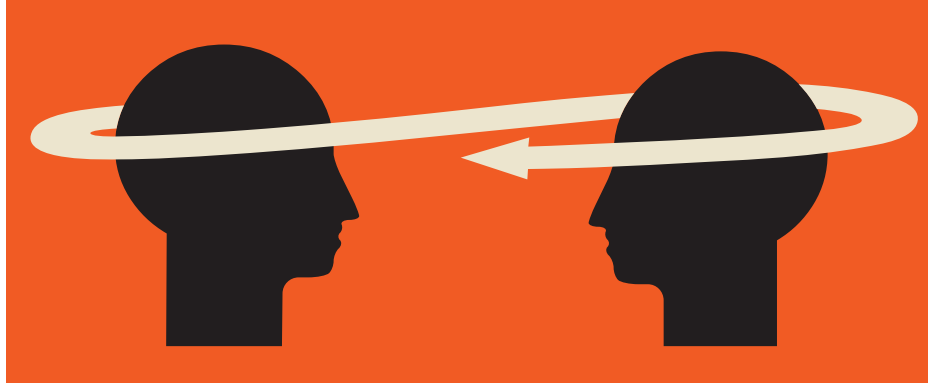
Given limited resources, it behooves us to find ways to maximize the value these audits can provide. Of course, this starts with being complete and thorough, but it also means taking care in planning the audits strategically to get more meaningful results. While we auditors worry about “scope creep,” when risks surface, we must address them. In San José, these approaches have not only helped us in tightening up travel, but they have also helped us move beyond compliance checklists to find other city areas in need of our attention.

ABOUT THE AUTHOR

Michael Houston is a Senior Program Performance Auditor at the San Jose City Auditor’s Office. He has worked there since 2008. Michael has a Bachelor of Arts degree in History from Sonoma State University and a Master’s of Public Policy from U.C. Berkeley.

CROSSING THE AUDITING/EVALUATION DIVIDE

By Elise Garvey



Venturing out of our auditing-specific professional circles for training can be rewarding, but often an exercise in translation. But there are some circles where the translation will be more like (for native English speakers) learning Spanish rather than trying to read Onegin stanza.¹ One such circle for auditors is evaluation.

I hear frequently from both performance auditors and evaluators that they think their work is different from the other. Certainly, the historical origins of our fields are divergent. The background of people who call themselves evaluators and people who call themselves auditors can be different. But the motivations to do our work and our use of research and analysis to draw evaluative conclusions are not. I would venture that many of the same issues keep evaluators and auditors up at night: use of our products; implementation of our recommendations; viewpoints and politics of the decision-makers we are trying to inform; and the lack of clean, reliable data about anything, ever.

This is one of the reasons I am a member of the [American Evaluation Association](#) (AEA) and frequently rely on its publications and training resources. The AEA is an organization of professional evaluators with over 7,000 members in over 60 countries. It has a number of publications, ranging from practical tips on the daily [aea365](#) blog to the peer-reviewed articles in the American Journal of Evaluation. Pertinent to this issue of the Quarterly, AEA also has recorded and annual trainings that can provide helpful professional development material as we strive to learn from other fields and continuously improve the way we audit.

I recently returned from one of those trainings – the AEA’s annual conference. Over the course of the week-long conference, nearly 4,000 people attended dozens of sessions on topics like data visualization, evaluation of government

Performance auditors have a natural home for finding and networking with AEA members working to evaluate and improve government programs and processes through the Government Evaluation Topical Interest Group.

programs and processes, quantitative methods, systems thinking, and examples and lessons learned from evaluating programs designed to improve environmental, public health, economic, and social outcomes. I learned about recent developments in the use of predictive analytics, data visualization, and inclusive research methods. This abundance of attendants and breadth of subject matter is consistent (growing, in fact) at the AEA conference every year.

Most importantly, I use the material I gain from AEA trainings in my work as a performance auditor. In fact, in the Spring 2015 Quarterly, I gave an example of a tool I learned about at the 2014 AEA conference called a Data Placemat Session, which I used to help communicate with auditees and improve data we collected during an audit of King County's non-revenue fleet.

Performance auditors have a natural home for finding and networking with AEA members working to evaluate and improve government programs and processes through the Government Evaluation Topical Interest Group.² Topical Interest Groups or TIGs are intended to be the venue for people with specific interests to find resources. There are currently over 50 TIGs, including the Military & Veteran's Evaluation TIG, the Data Visualization and Reporting TIG, and the Costs, Effectiveness, Benefits, and Economics TIG. Some TIGs provide their own professional development opportunities. The Systems Thinking TIG held an un-conference this year, which brought people interested in systems thinking together over the web to discuss and practice systems thinking concepts. As a side note, if you are not familiar with systems thinking or related concepts like collective impact, I would highly recommend delving into some of that material as it can be helpful for designing an audit of a complex, multi-sector program.

And the professional development opportunities from the evaluation field do not end with AEA! AEA is one of a number of Voluntary Organizations of Professional Evaluation (VOPE) around the world, which include tens of thousands of people among their members. Another example is the Canadian Evaluation Society, which also holds an annual conference and produces its own publications.

Lastly, I know this is the Training and Travel issue, but one more plug I will make for you to join and utilize the AEA is for recruiting. I am a performance auditor at King County because the opening was posted on the AEA job listing page. I trained as an evaluator for international development programs at The Fletcher School (Tufts University) and the AEA was my primary professional organization. Because of the gap between the performance auditing and evaluation communities, I had no idea performance auditing was a thing. When I found the posting for King County on the AEA site, I investigated performance auditing further and found that my background in

and passion for evaluation and research fit the job I currently hold and love.

There are thousands of people using research and analysis to draw findings about and help improve government and social programs all over the world. The AEA and other VOPEs provide another home for performance auditors to network and broaden our professional development opportunities.

NOTES

¹ I knew all those years of studying 19th century Russian literature would pay off.

² Disclosure: I am one of the current co-chairs of the Government Evaluation TIG.

ABOUT THE AUTHOR

***Elise Garvey** is a Management Auditor with the King County Auditor's Office (Seattle, WA). Elise's education and previous experience is as a researcher and program evaluator. She is the current Co-Chair of the Government Evaluation Topical Interest Group for the American Evaluation Association. Elise has a B.A. in Political Science and International Relations from Canisius College and conducted her graduate work in international program evaluation and agricultural development at Tufts University.*

ARE ALL AUDITORS OPTIMISTIC?

By Andrew Keegan



In an unofficial, highly unscientific office-wide poll, 10 of my coworkers indicated that they considered themselves optimists. Only two admitted to being pessimists while six classified themselves as realists. (As an optimist, I think “realist” is how dishonest pessimists classify themselves.) In a true representation of our office culture, one survey response was “American” and another was “contrarian.”

My poll was the result of an earlier conversation with my wife that went something like:

Wife: Do you think being so optimistic hinders you at work?

Me: Nope.

Wife: Why not?

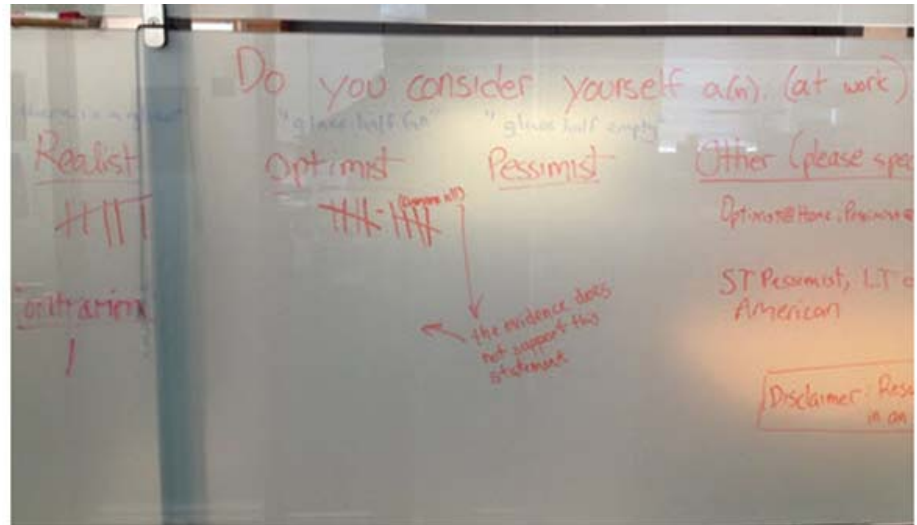
Me: Because I’m an optimist.

While this was personally convincing, being a professional auditor, I realized I needed more evidence. Hence the poll. I was curious if I could find a link between success as an auditor and optimism. I think that our office is overflowing with successful auditors, but the results of the poll show no clear correlation, as roughly half of our auditors said they were pessimists. But after researching the issue, I still think that optimism is an incredibly useful trait for auditors. This article will cover the basics of optimism, its general benefits in the workplace, and its specific relevance to auditing. I’ll also identify some ways to improve optimism and discuss how it is not the be-all and end-all of personality traits. (Two quick caveats...First, I’m talking about optimism in the big-picture, personality-type sense. This is unrelated to professional skepticism, which is also an incredibly useful trait for auditors. Second, I’m not a psychologist, therapist, or management

An auditor can be optimistic without losing professional skepticism.

theorist. I'm just an optimist with access to Google and Microsoft Word.)

What Is Optimism?



Official results of my unofficial poll

The dictionary defines optimism as “a feeling or belief that good things will happen in the future.” Research indicates that optimists believe that in general, good things happen more often than bad things, and that they are in control of, and can shape, their future. Research also shows that optimists tend to be forward-thinking, self-confident, flexible problem solvers, and are usually good at coping with adversity. You’re likely familiar with optimistic idioms about lemonade from lemons, half-full glasses of water, and silver-lined clouds.



One of these two is an optimist

There Are General Benefits from Employing Optimists

A number of studies have demonstrated the benefits of having optimistic employees. A 1986 study of insurance agents found that optimistic agents sold almost 40percent more insurance than the pessimistic agents. A follow-up study of salespeople from various industries found that optimists outsold pessimists by between 20 and 40 percent. Other studies have shown that optimists are more likely to be engaged in their work, are more loyal to their organizations, and can have a positive impact on creativity. According to a study published in the National Bureau of Economic Research, MBA students who self-identified as optimists were more likely to have been promoted two years after graduation.

Additionally, research has linked many health benefits to optimism. It has been related to lower cholesterol, stronger immune systems, and a lower risk for stroke. (Risk! I finally mentioned risk! This is officially an article about auditing now.) The Centers for Disease Control and Prevention says that in general, healthier employees are more productive. Considering that, I don't believe it's too far of a reach to suggest that, in general, optimistic employees are more productive.

There are a couple of reasons for italicizing "in general" in the previous sentence. First, I really like saying "italicizing" in my head. Second, I wanted to stress that in absolutely no way does that statement apply to everyone at all times. There are plenty of super-productive pessimists and there are plenty of lazy optimists. (After all, if everything is going to work out fine anyway, why do you need to do work?)

OPTIMISM AND AUDITING

But what about optimism and auditing? Auditors tend to focus a lot on risks, so wouldn't that put us more in line with the pessimists? Although that's certainly one way to look at it, consider the IIA's definition of internal auditing. It talks about an activity "designed to add value and improve an organization's operations." In lay-speak, we try to make the organizations we work for better. We don't focus on risks because we're expecting the worst possible outcome (which is one of the characteristics of a pessimist). We focus on them because we know that by identifying risks, we can help our organizations address them. We write recommendations because we believe those recommendations will increase the odds of good things happening in the future. In other words, we try to help the people in our organizations control and shape their future. And believing that you can control and shape the future is the definition of an optimist.

OPTIMISM TEST?

I'm optimistic that you're now convinced that optimism is a crucial quality for auditors. But you might be wondering how to apply this newfound knowledge and increase your office's optimism. While improving optimism can be harder than hiring people who are naturally optimistic, it can be done. (At this point, I want to re-stress my earlier caveat that I'm not a psychologist, therapist, or management theorist.)

Academics and researchers have come up with a number of suggestions for improving optimism, but a lot of them are personal in nature (e.g., exercise and get enough sleep), so they aren't really controllable in the workplace. Unless you want to endorse office nap time. (If so, are you hiring?) But some of the suggestions can translate to an office environment. Here are a few:

As auditors we help
control risks and
shape the future—
that's inherently
optimistic.

- **Encourage a Focus on the Positive** - When a team encounters a setback, challenge them to see the silver lining.
- **Smile More** - Positivity is contagious.
- **Show Gratitude** - A simple and effective way to create a positive work environment.
- **Frame Success and Failure Appropriately** - Successful reports are the result of good work, not luck.
- **Set Reasonable Goals and Plans To Achieve Them** - Helping people set and achieve goals demonstrates that they can control what happens.

OTHER “-ISTS” ARE IMPORTANT TOO!

An office full of extreme optimists would be fun, but it probably wouldn't be as successful as an office with a healthy mix of the different “-ists.” As with just about everything else, the key to success is balance. Optimism needs to be tempered a little bit. Otherwise potential hurdles are minimized and not enough attention is paid to contingency plans. England's National Audit Office had a great line about this in a 2013 report on the issue of over-optimism in government projects. The report noted that “the challenges of delivering government projects are compounded by the endemic over-optimism which characterises decisions to commit to projects and the subsequent management of them.”

A FINAL THOUGHT

There is no single trait that defines a successful auditor. However, I think optimism is an important one. It may seem counter-intuitive to some because a huge part of our job is trying to identify all of the bad things that may occur. But the whole reason we do that is because we're convinced we can control those risks and shape the future. And that is the true meaning of optimism.

I'll close with some words of wisdom from a famous optimist:

Rabbit: Oh no. A fork in the road.

Tigger: Nah, I don't need it. I brought a sandwich.

ABOUT THE AUTHOR

Andrew Keegan has worked in the Office of the City Auditor for three years. He recently walked 20 miles to work just to see if he could. He enjoys hummingbirds.

ABSTRACTS

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2. Navigate to the online submission form: Resources > Abstracts > Submit an Abstract.
3. Enter (type or copy/paste) and submit your abstract details as prompted in the form.

Abstract Summaries and Descriptions will not be published in the Quarterly but will be displayed and searchable online. For the Summary, please provide a single paragraph describing what you did and what you found. The description may include scope, background, objectives, significant findings, unique methodologies, recommendations, or other information you wish to share with ALGA members.

The image shows a screenshot of the ALGA (Association of Local Government Auditors) website. The page is titled 'Form Center' and is part of the 'Abstract Submission Form'. The navigation bar includes 'About', 'Resources', 'Training', 'Publications/Media', and 'Audit Excellence'. The main content area has a search bar for forms and a section titled 'Submit Your Abstract'. The form fields include: 'Audit Name*', 'Release Date*' (with a 'Date' dropdown), 'Audit Shop Name*', 'Audit Category*' (with a 'Select One' dropdown), and 'Audit Summary*'. The left sidebar contains links for 'Notify Me', 'Member Directory', 'Abstracts', 'Audit Forum', 'Register for Training', 'Quarterly Archives', 'Build on Audit Function', 'Support for Members', and 'Join Today!'. The 'Member Tools' section also lists 'Notify Me', 'Member Directory', 'Abstracts', 'Audit Forum', 'Register for Training', and 'Quarterly Archives'.

ARTICLES

Articles may be submitted for any topic, but those relating to advertised themes will receive first priority in any given Quarterly. Upcoming themes and submission titles are as follows:

- Spring 2016: Utilities (due February 15)
- Summer 2016: Education (due May 15)
- Fall 2016: Fleets (due August 15)

How to Submit:

1. Log on to algaonline.org.
2. Navigate to the online submission form: Publications/Media > Local Government Auditing Quarterly > About the Quarterly.
3. Click on the "Submit Your Article" link. Fill out the "Submit Your Quarterly Article" form. Attach your article and provide details as prompted in the form.

Format Guidelines:

- One page is roughly equivalent to 450-500 words.
- Articles must be at least 1,000 words and no more than 2,000 words.
- For each article, please include a suggested headline and a short (3-4 sentences) author biography.
- Article text should be submitted in an unformatted Word file.
- To maximize the quality of graphics for both print and web presentations, graphics must be submitted separately from the article text in .JPG form.
- Indicate the desired location of any graphics within the article by enclosing the instruction in brackets. For example, [INSERT GRAPH 1 here].
- Please include the proper attribution of any copied elements within your article to their respective sources.
- Remember to thoroughly proofread your article.

MEMBER NEWS ITEMS

News from ALGA member organizations may be submitted for promotions, certifications, awards, retirements, or other relevant ALGA member news. Email your updates to LGAQEditor@gmail.com.

QUARTERLY ARCHIVES

Past issues of the Local Government Auditing Quarterly are available to members on the ALGA website at www.algaonline.com

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