

INSIGHTS FROM THE BDO PUBLIC SECTOR PRACTICE

AUDIT FACILITATION BEST PRACTICES



The Chief Financial Officers (CFO) Act of 1990 requires federal agencies to prepare auditable financial statements on an annual basis.

Although the Department of Defense (DoD) has undoubtedly made great strides in recent years to improve its auditability, it remains one of only three CFO Act agencies that has not received a clean audit opinion. It is therefore critical that the DoD continues to invest in improving its audit readiness efforts, and audit facilitation is a prudent place to start.

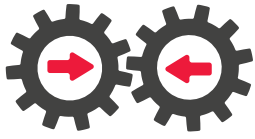
A robust approach to audit facilitation can help set the tone for future audits. Audit facilitation services include supplying a team of subject matter experts (SMEs) to serve in an audit liaison role. The SMEs can provide strategic guidance, technical knowledge, training, quality control and quality assurance for all audit-related activities. When executed properly, audit facilitation activities allow agencies to communicate effectively with external auditors and respond to audit requests appropriately.

A seamless audit facilitation process helps the DoD focus its attention on remediation efforts, which can significantly reduce and/or eliminate notices of findings and recommendations (NFRs) issued throughout the audit cycle. The end goal, of course, is to achieve a clean audit opinion.

AUDIT FACILITATION CHALLENGES



While there is no universal avenue for expediting the achievement of a clean audit opinion, the following best practices for audit facilitation can help mitigate recurring challenges associated with the DoD's auditability.



COMMUNICATION

Communication is the cornerstone of audit facilitation. It is important to communicate early and often. When in doubt, overcommunicate. Infrequent and/or unclear communication, as well as decentralized communication, are major challenges DoD agencies face with audit facilitation. Tips for effective communication in audit facilitation include:

- ▶ Be aware of defense sector etiquette for acknowledging and adhering to proper chains of command.
- ▶ Ensure responding organizations understand audit requests and timelines well in advance of due dates. Hold recurring internal meetings (e.g., weekly) with stakeholders to discuss audit progress, roadblocks, hot topics, asks, needs and key meetings.
- ▶ Work collaboratively with external auditors to establish agreed-upon audit protocols at the beginning of each audit engagement. From there, consider holding scheduled recurring meetings jointly with internal stakeholders and external auditors to discuss audit status, requests, issues, areas of concern, key developments and accomplishments.
- ▶ Assist all internal organizations (e.g., headquarters, commands, etc.) in preparing for various types of interactions with external auditors, guiding and facilitating conversations, and helping to ensure external auditors stay within appropriate lines of questioning during meetings, walkthroughs, site visits, etc.



TRAINING

Training is another critical element of audit facilitation. Insufficient understanding of audit processes and procedures often compounds challenges throughout the audit. Providing ongoing, adequate training to relevant stakeholders involved in the audit can not only improve communication and increase efficiency, but it can also expand foundational knowledge across the board. Suggestions for implementing training in audit facilitation processes include:

- ▶ Provide multiple hands-on training sessions and workshops with stakeholder organizations involved in the audit covering overall audit expectations and timelines.
- ▶ Hold targeted trainings on relevant topic areas, such as process walkthroughs, audit testing procedures, prior year audit results, NFRs, corrective action plans (CAPs), etc.
- ▶ Develop helpful tools, templates and resources highlighting important concepts for internal organizations to refer to when preparing for audit — frequently asked questions (FAQs), information slick sheets, handbills, audit checklists, etc.
- ▶ Follow defense sector presentation etiquette and tailor trainings to the appropriate audience(s) depending on the subject matter.



LESSONS LEARNED

Reflecting on lessons learned from prior years is one of the most powerful tools to use when it comes to audit facilitation. As the saying goes, "experience is the best teacher." Documenting successes and failures throughout past audit years can help stakeholders involved in the audit learn from past mistakes and correct them moving forward (e.g., by implementing preventative and corrective actions). Recommendations for applying lessons learned to the audit facilitation process include:

- ▶ Reflect on prior audit years to identify risks, challenges and improvement areas.
- ▶ Document lessons learned at the end of every audit year, if not more frequently (e.g., quarterly).
- ▶ Discuss lessons learned internally with all relevant stakeholder organizations and implement changes where possible ahead of the upcoming audit year.
- ▶ Separately discuss lessons learned with external auditors and provide suggested improvements to any specific challenges or issues encountered that audit year.

By using the best practices outlined above, the DoD can improve its audit facilitation approach and spend more time focusing its efforts on remediation.

BDO's Public Sector practice brings subject matter experience and tactical knowledge to the areas of audit readiness, remediation and sustainment. We have a thorough understanding of DoD operations and extensive experience serving as audit liaisons throughout the end-to-end audit facilitation process. We provide our clients with comprehensive, widespread outreach and education on an array of audit-related topics. Our goal is to provide the support and level of knowledge needed to assist the DoD in achieving its long-awaited clean audit opinion.

For more information on our service offerings, visit www.bdo.com/defense or send us an **e-mail** with any questions you may have on how your organization can benefit from our insight into audit readiness, remediation and sustainment efforts.

People who know Public Sector, know BDO.

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