

Office of the State Auditor

STRATEGIC PLAN

2019 - 2021



By

Beth A. Wood, CPA, State Auditor

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1. Strategic Plan Executive Summary

The Office of the State Auditor (OSA) seeks to make state government more effective, efficient, and accountable by delivering reliable, credible, actionable, and timely reports to those who can use the information to improve state government. Further, OSA strives to optimize the efficiency of our audits and investigations to minimize disruption to auditee's regular activities and increase the opportunities for OSA to promote economy, efficiency, and accountability across state government.

The timely completion of mandated and requested financial and compliance audits provides the general assembly, agency heads, and other stakeholders with credible information to make financial decisions. Further, our audit reports are used to protect North Carolina's AAA bond rating, meet guidelines for maintaining federal funding, as well as to provide financial information necessary to maintain accreditation for our universities and community colleges. Our strategies in these areas focus on timely completion and submission of our reports to decision makers and stakeholders.

In addition to financial and compliance audits, the Office of the State Auditor completes performance audits of state programs and investigates allegations of fraud, waste, and abuse of public funds. The number of allegations received through our Hotline and the potential audit topics submitted by legislators, concerned citizens, and our staff far exceed the capabilities of our limited resources. Therefore, our strategic planning focuses on achieving efficiencies that optimize the use of our resources. The more efficiently we complete audits and investigations, the more potential programs we can evaluate to improve state government.

Looking ahead, the Office of the State Auditor seeks continuous improvement of our audit processes to minimize the time spent on audits and investigations, which will reduce the cost per engagement and allow us to provide more useful reports to those who can change state government for the better.

2. Quick Reference Guide

<p>Goal 1 – Make state government more effective, efficient, and accountable by delivering reliable, credible, actionable, and timely reports to those who can use the information to improve state government</p>		
<p>Objective 1.1 – Complete mandated and general assembly requested financial and compliance audits</p>		
<p>1.1.1 – Audit reports</p>	<p>Strategy</p>	<p>Complete CAFR and Single Audit by annual deadlines, as well as complete annual university audits by December 31; complete stand alone financial audits of state’s largest six agencies (DHHS, DOT, DPI, DPS, DOR, DST)</p>
	<p>Timely, credible financial audits ensure North Carolina maintains its AAA bond rating and institutions of higher learning maintain proper accreditation. Completion of the annual Single Audit ensures North Carolina continues to receive its share of federal funding necessary to supplement the state’s annual \$21B budget (total budget over \$42B when federal dollars are considered). Providing the legislature with stand alone audit reports for individual state agencies allows our state’s top decision makers to better understand stewardship of state funds by each of these agencies.</p>	
<p>Objective 1.2 – Complete impactful performance audits and investigations</p>		
<p>1.2.1 – Audit reports / investigative reports</p>	<p>Strategy</p>	<p>Complete performance audits of state programs that represent opportunities to save the state significant money or eliminate programs deemed ineffective or duplicative; complete investigations based on allegations received through our Hotline or other sources</p>
	<p>Timely, credible performance audits identify inefficiencies, waste and abuse of state funds as well as identifies state programs that are not achieving results they were created to achieve (effectiveness) – the impact of such means more state funds can be directed to those who the programs are intended to serve.</p> <p>Investigative reports hold accountable those who violate the fiduciary responsibilities of their government position. These reports not only put a stop to fraud, waste and</p>	

		<i>abuse from individuals who are the subjects of our investigations but also serve as a deterrent to others who may have similar opportunity to abuse the public trust.</i>
Goal 2 – Optimize the efficiency of our audits and investigations to minimize disruption to auditee’s regular activities and increase the opportunities for OSA to promote economy, efficiency, and accountability across state government		
Objective 2.1 – Meet deadlines and milestones while increasing time spent on audits and investigations versus time spent on administrative tasks		
2.1.1 – External deadlines and OSA metrics	Strategy	<i>Perform audits and investigations in as few hours as possible without sacrificing engagement quality; use metrics to encourage productive work schedules and behaviors</i>
	<i>By meeting deadlines for the State of NC CAFR and the Single Audit, OSA will help NC remain accountable for its federal funding and maintain its reputation as a fiscally responsible state with a AAA credit rating. Further, meeting deadlines and milestones means OSA resources will be available to identify opportunities for the state to save money and provide the NC legislature and other decision makers with better information with which to make informed decisions. The more efficient we are in all audits, the more reports can be delivered to increase the value of information from our office –for example, the financial audits of the six (6) state agencies gave legislators, and other decision makers, agency- level financial statements for the first time in over two decades .</i>	

3. Enterprise Opportunities

3.1. Potential Initiatives

The Office of the State Auditor plans to expand audit efforts exclusively dedicated to Medicaid. Medicaid currently consumes approximately 20% of the state's \$22 billion budget, and the program is projected to expand annually. The State Auditor believes potential savings within Medicaid represents the single most significant new impact our work could have on the state's future fiscal condition.

The Office of the State Auditor plans to launch an initiative that will leverage big data analytics to identify areas of risk to state government, as well as allow large populations of data to be audited more completely and timely. The audit profession has recognized this inevitable shift in strategy and application of audit principles, and the Office of the State Auditor plans to be on the leading edge of this transformation.

3.2. Collaborative Opportunities

Due to independence considerations, collaboration with other state agencies is limited to operational and ad hoc engagements (e.g. leased office space, shared utilities, IT infrastructure, etc.) Because we may have to audit any state program, we cannot be involved in the management of other agency initiatives – many inter-agency collaborations would impair our independence.

However, the Office of the State Auditor plans to work diligently with NCDIT to identify solutions that increase our productivity, efficiency, and security. We recognize that the IT world continuously evolves to meet the business needs and challenges relevant to any organization, and we intend to partner with DIT to identify areas where we can leverage the services they offer while not compromising our commitment to the professional audit standards for independence.

4. Vision, Mission, and Values

4.1 Vision

The Office of the State Auditor seeks to be a highly respected, professional audit organization that makes a difference in state government. We want highly competent employees who lead successful careers while maintaining work/life balance and fulfilling personal lives.

4.2 Mission

We protect the interests of taxpayers and others who provide financial resources to the State of North Carolina. We provide objective information about whether state resources are properly accounted for, reported, and managed; as well as whether publicly funded programs achieve desired results.

4.3 Values

Commitment to Excellence – Striving to continuously improve to be the best we can be, individually and as an office.

Personal Responsibility – Taking the initiative to do the right things and being accountable for one's actions.

Can-do Attitude – Approaching challenges with a positive attitude.

Teamwork – Working together as one office-wide team with consideration and respect for each other.

5. Goals, Objectives, and Measures of Success

Goal 1 - *Make state government more effective, efficient, and accountable by delivering reliable, credible, actionable, and timely reports to those who can use the information to improve state government.*

Goal 1 aligns with the goal of creating a more efficient, customer-service oriented state government. Further, Goal 1 directly serves the goal to reform state government to better serve the people of North Carolina at a cost that respects the taxpayer.

Because our audits and investigations are performed under professional standards of independence, decision makers and other stakeholders (NC General Assembly, Governor, cabinet secretaries and other agency heads, taxpayers, and citizens served by the respective programs) can rely on the information within our reports to be objective and credible. This puts the State Auditor's Office in a unique position in state government to provide reliable information to decision makers who can use the information to serve the State's interests and the Governor's goals and priorities.

1.1 Objective - *Complete financial and compliance audits mandated by law or requested by the NC general assembly.*

State and federal law requires OSA to perform certain financial and compliance audits. Beyond complying with the law, our financial audit reports provide fiscal information so decision makers at the entity and state levels can make informed budget and policy decisions. Further, the audits serve to maintain North Carolina's AAA bond rating and help our institutes of higher learning maintain proper accreditation.

1.1.1 Measures of Success – Completion of financial and compliance audits by established deadlines. Certain deadlines are driven by external criteria such as the Single Audit and CAFR, while other deadlines are set to provide timely audit reports to agency heads, stakeholders and decision makers that can improve the function of government.

Strategies/Initiatives – Leaders in our Financial Audit Division must plan engagements and allocate resources effectively to meet deadlines and expectations of our audit clients.

1.2 Objective – *Complete impactful performance audits and investigations*

Timely, credible performance audits identify inefficiencies, waste and abuse of state funds as well as identifies state programs that are not achieving results they were created to achieve (effectiveness) – the impact of such means more state funds can be directed to those who the programs are intended to serve.

Investigative reports hold accountable those who violate the fiduciary responsibilities of their government position. These reports not only put a stop to fraud, waste and abuse from individuals who are the subjects of our investigations but also serve as a deterrent to others who may have similar opportunity to abuse the public trust.

1.2.1 Measures of Success – The number of audits and investigations we are able to complete; and the amount of state, federal, and local dollars we identify that can be saved or recouped.

Strategies/Initiatives – We respond to specific requests from the legislature, and we identify performance audit topics that are likely to yield the greatest return to the state. For investigations, we respond to allegations received through our Hotline and other mediums of communication.

Goal 2 - *Optimize the efficiency of our audits and investigations to minimize disruption to auditee’s regular activities and increase the opportunities for OSA to find savings across state government*

2.1 Objective - *Meet deadlines and milestones while increasing time spent on audits and investigations versus time spent on administrative tasks.*

The Office of the State Auditor provides benefits to the taxpayers, legislators, agency heads, and other stakeholders and decision makers in proportion to the number of audit reports and investigations released that hold stewards of the public trust accountable and provide recommendations for improving state government.

2.1.1 Measures of Success – Completion of performance audits and investigations by established deadlines and within prescribed time budgets. We determine a successful audit or investigation to be one completed within the fewest hours without sacrificing the quality of the audit/investigation or compromising the standards under which the engagement was performed. Ultimately the total dollars saved or recouped based on recommendations within our reports determines our positive impact on state government. Further, we measure success in terms of holding individuals accountable who are charged with oversight of public programs.

Strategies/Initiatives – In order to influence employee engagement and increase productivity, we establish individual “chargeable hour” targets for all auditors and investigators. If our staff meet these targets, individually and collectively, we will gain efficiencies that allow optimization of resources and ultimately lead to more opportunities to evaluate state government programs.

6. Highlights and Opportunities

The purpose of this section is to highlight what is working in your agency, share best practices, and learn about potential opportunities or collaborations your agency envisions.

Agency Highlights and Best Practices

The Office of the State Auditor (OSA) has committed to a robust administration of the NCVIP program. We believe our process of self-assessment followed by several levels of calibration yields results unparalleled in state government. We calibrate at the division level, division-head level across all divisions, and finally at the executive level to ensure equitable application of performance evaluation criteria across the entire organization. Our promotion and advancement process likewise is subjected to earnest, multi-level calibrations.

OSA employees recognize, and take pride in, that our organization sets a high standard for competency and performance. We strive to operate within a professional environment, and our NCVIP approach reflects that commitment. We have also found that legislators and other state agencies recognize our investment in employee accountability, which has manifest itself in legislators recognizing the integrity of our work products and other state agencies emulating our processes.

Potential Initiatives

The Office of the State Auditor is in the early stages of an initiative around data analytics. Big data drives so much of the information available within our government systems, but it takes incredibly robust computer systems to process the volumes of data within programs such as Medicaid. Costs related to IT infrastructure and relevant training for the auditors assigned to this area are currently unfunded.

Collaborative Opportunities

While we are limited substantially in this area due to independence standards, we partner when we can to better utilize state owned space as well as the state's IT infrastructure. We recognize the economies of scale the purchasing power of the state presents, and we leverage those opportunities as long as they do not compromise our professional auditing standards of independence. For example, we are currently exploring opportunities to leverage DIT services related to server housing and disaster recovery / backup.

We are also engaged with the Legislative Services Office to explore the best use of our current location, the Old Revenue Building. OSA recognizes that state agencies have a duty to serve the collective interests of the citizens of NC, and the most efficient use of state-owned resources is one of our primary responsibilities.