

LIBRARY COPY
Legislative Research and General Counsel

AN INTRODUCTION TO THE OFFICE
OF THE
LEGISLATIVE AUDITOR GENERAL
STATE OF UTAH

Auditor's
Auditing

by

Dr. Lennis M. Knighton, CPA
Auditor General

October 21, 1975

AN INTRODUCTION TO THE OFFICE
OF THE
LEGISLATIVE AUDITOR GENERAL
STATE OF UTAH

by

Dr. Lennis M. Knighton, CPA
Auditor General

(These remarks were prepared for an orientation seminar for state leaders, held in the State Capitol Building, Salt Lake City, on October 21, 1975.)

Introduction

On behalf of my staff, I welcome you to this important and historic seminar. We have invited you here today with several objectives in mind. First, we want to introduce you to our office and explain our role in the state. Second, we want to acquaint you with our goals and our philosophy regarding the proper approach to auditing in state government. Third, we hope to explain to you some of the basic concepts and principles underlying our work, particularly such terms as performance auditing, operational auditing, and program auditing. Fourth, we want to outline for you the manner in which we will proceed in the conduct of our audits and explain our pledge of fairness, candor, and professionalism in all phases of our work. Finally, we want to open the channels of communication with each of you so that a constructive dialogue can occur between our office and yours regarding matters of mutual interest.

In the process of this discussion, we hope to allay some of your fears, lay to rest some false impressions, clarify some misunderstandings, and

answer many of the questions that we know exist in your minds. We hope you will leave today with a positive attitude regarding the work of this office, and we pledge that in the months and years ahead we will demonstrate by our actions that our words today are sincere and accurate.

The Origin of Our Office

This office has been established under the authority granted in a constitutional amendment passed by the voters of Utah in 1972, which gave to the Legislature the authority to establish such an office. Legislation to create the office was enacted on March 15, 1975, with the passage of Senate Bill 218. Those who are interested in the details of that bill are encouraged to get a copy and review it. I think you will be impressed with its provisions as they pertain to our office.

Under the provisions of this law, our office is required to conduct both financial and performance audits, and it is because of this requirement that we have felt it essential to hold this orientation seminar with you.

The idea of a legislative auditor in Utah is not new. Prior to 1972 it was recommended a number of times by various authorities, and some of you may have had a major hand in helping to bring about the realization of this goal.

National Trends

With the creation of this office, Utah joins approximately 35 other states having legislative auditor systems. Moreover, with the expanded scope of auditing required of this office under the statute, as I will discuss in a moment, we join most of the other states in moving from an era of limited financial audits to a program of comprehensive audits.

Now, some may ask: What is the significance of having a legislative auditor system? What are its advantages and disadvantages? Why has there been a trend toward the expansion of the scope of state audit programs? And are these two trends somehow related?

Because these national trends are directly related to the reasons for the establishment of our office here in Utah, let me briefly explain them and try to answer these important questions.

The Need to Strengthen Legislative Oversight

Under the concept of separation and balance of powers, which is probably the most fundamental doctrine embodied in our system of government, the legislature has the responsibility not only for approving programs and appropriating funds to carry them out, but also to see that programs are administered and funds expended in the manner prescribed. This latter responsibility is usually referred to as "legislative oversight," and as I said, it covers administrative accountability both for funds used and results obtained.

Over the years, however, state legislatures have lost much of their ability to perform this function in a meaningful way. Several factors have brought about this condition.

First, the size and complexity of state government has increased rapidly over the past several years. The Utah budget today, for example, is almost ten times what it was in 1950, and the number of programs and organizational units of the state has been similarly increased. Thus, even the most conscientious legislator has difficulty today keeping abreast of the developments in those agencies and programs where he has responsibility and interest. Moreover, with the short time available for general and budget

sessions, legislators have little time to hold extensive hearings or take any other action to inquire into the status of state programs.

Thus, it has become necessary that legislators be provided with additional help in this oversight responsibility, and the legislative audit function has been the most popular and effective means for doing so.

Another development contributing to the establishment of legislative auditors has been the rapid expansion of the development of more sophisticated tools and processes in the executive branch. New budget concepts, more modern accounting systems, the widespread use of computers for analysis and data processing, the increased complexity of federal-assistance programs, and many other such developments have made it more difficult for legislators, most of whom are ordinary citizens unfamiliar with these technical areas, to wholly understand and properly evaluate all of the information they get from executive agencies. Thus, it is important that the legislature have available to it a competent and independent professional staff that can conduct special studies relevant to its needs and decisions. Here is one important area in which the work of our office will interface with and complement the work of the Legislative Analyst's Office.

The Changing Nature of State Auditing

When state audit offices were first established, they were housed within the executive branch; and the auditors were usually appointed by the Governor or some other top state official. The function of these early auditors was to pre-audit vouchers prior to payment to ensure that funds were disbursed only for valid expenditures of the state, that expenditures were properly authorized and documented, and that sufficient funds were available to cover the voucher being processed. This process was basically designed to promote accuracy, honesty, and integrity in fiscal affairs.

It soon became apparent, however, that if the auditor was to provide a check on the use of funds, he really needed to be independent from the Governor and other officials whose vouchers he audited. Thus, in a move designed to provide that independence, states began to establish elected auditors who, because they were elected by the people, would be the people's "watchdog" over the use of public funds. Consistent with this principle, a provision was written into the Utah Constitution providing for an elected auditor who was to be "the Auditor of Public Accounts." His function then, as was true in all other states at that time, was solely a pre-audit function.

Over the years, however, and particularly over the past two decades, the nature of auditing has changed significantly. While seeking to maintain a strong and essential pre-audit function, states have recognized the need for an equally strong and effective post-audit system, one that provides for a periodic examination and evaluation of an entire operation or program similar to the type of audits with which we are familiar in the business world. To avoid the inherent conflict of interest that is created when the same auditor has both pre-audit and post-audit responsibility, most states have located these functions in separate offices, with the legislative auditor being given the post-audit responsibility.

Initially, post-audit programs in state government were confined to financial matters. The emphasis centered on such questions as these: Were all receipts and expenditures properly recorded and reported? Do financial statements and reports properly and adequately reflect what they purport to show? Are financial controls adequate and effective in safeguarding financial resources?

Some auditors like to refer to this type of audit as a "certified" audit because, at the conclusion of the audit, the auditor issues an "opinion" certifying whether or not, in his judgment, the financial statements fairly reflect the financial results of past operations and the financial position of the organization audited. In most circles, however, this type of audit is simply referred to as a "financial" audit.

Financial audits serve an important function in state government, but they leave unanswered a number of important questions. For example, while financial audits seek to determine whether expenditures have been properly made, they do not cover the question of whether the resources acquired through the expenditure process have been efficiently and effectively used. Neither do financial audits address the question of whether state programs are accomplishing the objectives for which they were established and for which funds were provided. Yet, all state leaders, both legislative and executive, need to have answers to these questions.

The Nature of Performance Auditing

With this very brief background, we can now look at the nature and purpose of performance auditing and explain why its development has come concurrently with the expansion of legislative audit systems.

Performance auditing involves three important areas of inquiry. First, have the programs of the state been conducted in accordance with legal requirements, legislative intent, and other regulations and policies pertaining to the program in question? This type of auditing is known as "compliance auditing."

Second, are there ways in which efficiency, economy, and the effective utilization of resources can be improved? This type of auditing is known as "operational auditing," although some auditors prefer to call it "management

auditing." Our office will use the term "operational auditing" because we feel it is more descriptive of what we do. That is, we will audit operations, not managers.

Third, how effective are programs in achieving their intended objectives? This type of auditing is known as "program auditing."

An audit may be confined to one of these areas or expanded to include all of them. When performance auditing is combined with financial auditing, we call it "comprehensive auditing." Note how this language is consistent with the provisions of the law under which our duties and responsibilities are specified.

The legislative auditor general . . . shall conduct comprehensive and special purpose audits and prepare and submit a written report on each audit The audit shall include any or all of the following:

(a) An examination to determine the honesty and integrity of fiscal affairs, the accuracy and reliability of financial statements and reports, and the adequacy and effectiveness of financial controls to properly record and safeguard the acquisition, custody, and use of public funds;

(b) An examination to determine whether administrators have faithfully adhered to legislative intent;

(c) An examination to determine whether the operations of the departments, agencies, and other units of the state have been conducted in an efficient and effective manner;

(d) An examination to determine whether state programs, administered by the departments, agencies, and other units of the state, have been effective in accomplishing intended objectives;

(e) An examination to determine whether management control and information systems are adequate and effective in assuring that state programs are administered faithfully, efficiently, and effectively.

(See Utah Code Annotated, Title 36, Chapter 12, Section 15.)

I wish we had time today to discuss with you in detail each aspect of performance auditing. Perhaps at some future session we might explore

these areas in greater depth. Today, however, I will confine my remarks to a discussion of our objectives in performance auditing and to a few explanations to clarify some points and to put this work in better perspective.

We will pursue two equally important objectives through our audits: first, to help the legislature in its evaluation and oversight responsibilities; and second, to help administrators in the management of the operations and programs under their direction.

We will operate under a philosophy in this office which can be stated succinctly as follows. Our job is to promote better government in the State of Utah. Better government results from better management and better legislative decisions, not from a long list of an auditor's deficiency findings. Thus, our primary goal will not be to develop long lists of exceptions. Rather, it will be to find ways to strengthen the management and legislative functions of the state.

It has been said that two of the biggest lies ever spoken are the words of an auditor saying to a manager, "We're here to help you;" and the reply of the manager, "We're glad to see you." Yet, if this office is to come close to achieving the purposes for which it was established, the time must come when these words can be spoken sincerely and honestly. We hope that time begins today; and I pledge to you that as long as I occupy this office, I will do everything in my power to see that it is so.

In making this statement, however, and in expressing our objectives in the way I have, I do not wish to leave the impression that we will not expose dishonesty, corruption, and other such problems if we find them. That too is part of our responsibility, and we will not shirk it. However, we do not start with the premise that public employees are basically dishonest. My experience tells me that the great majority of public servants are honest,

dedicated, and dependable men and women who are as interested in good government as we are. If we can help them find ways to do their jobs better, we will have accomplished our most important objective.

Performance Auditing by Legislative Auditors

With this brief explanation of the role of legislative auditors and of the nature of performance auditing, it should not be surprising that these trends have run together. Legislative oversight requires much more than a review of financial statements and reports. In short, the scope of audit inquiry for a legislative auditor should be as broad as is the legislature's need for assistance in its oversight responsibility, limited only by the availability of resources and the competence of the audit staff.

Having said this, I must quickly add that these limitations are very real. Our staff is very small at this time, and our funds are limited. Furthermore, while we are very proud of the competence of our staff, we recognize that we are not experts in everything. In fact, we are not experts in very many things. Our expertise is and should be as information and control specialists. Our expertise in information systems will not be limited solely to the acquisition and processing of information, but will also include the analysis and use of information. And our expertise in control systems will not be limited only to financial controls but will include as well the whole range of operational and management controls designed to promote efficiency and effectiveness.

With that brief digression regarding our staff competence, let me return to reasons why performance auditing and legislative audit systems have been developed together. We have already noted the first and most important one, and that is the need of the legislature for performance information.

Another very important reason has been the concern of public officials with professionalism in auditing and the inevitable conflict that seems to arise between politics and professionalism when the audit office is headed by an elected official. Rightly or wrongly, some state officials, both legislative and executive, as well as the press, seem to see political motives in almost every audit report issued by an elected auditor. Can you imagine how this problem would be magnified if elected auditors were to get heavily into performance auditing? Political motives have no place in professional auditing, in fact or in appearance. For this reason, if performance auditing is to succeed, it must be undertaken by a staff located in an office that is not identified with partisan politics.

The Need for Internal Auditors

One of the most important places for performance auditing to occur is within your department or agency itself, undertaken by an internal audit staff responsible to the agency director. Who needs the benefits of performance auditors more than managers? And how better for managers to benefit from it than to have their own audit staff, fully competent and properly motivated, to conduct these reviews and evaluations on an ongoing basis. Why wait for us to come around once in a while when you can have this service as a constant presence in your own office?

One of the principles that we are going to push very hard in our work with the legislature is the need to establish good internal audit programs in every agency large enough to effectively use one. In fact, we are as interested in seeing you have a good internal audit program as we are in conducting a quality audit of our own.

Before leaving this subject, however, I want to say one more word of caution. If internal audits are to achieve their potential, they must be

established in such a way that they meet the standards of independence and competence; and they must do more than limited financial auditing. We will work with you in this effort wherever we can, for we are vitally interested in seeing that you succeed. If all agencies develop their systems as we hope they will, the size of our staff will not have to be nearly as large because we can make use of the internal audit work.

The Problem of Images

Moving on to another subject, I would like to talk to you for a minute about auditors' images. I mentioned earlier the term "watchdog" and noted that it had received wide-spread use in connection with elected auditors with pre-audit responsibility. Some people, including many in the news media, continue to use this term to describe the work of the post-auditor. I would like to suggest that it is not an accurate analogy. A watchdog only watches. It barks only when something goes wrong. Perhaps a better analogy would be to compare an auditor to a public safety officer. The most important work of a public safety officer is not that of detecting crime and apprehending criminals, but that of deterring and preventing crime and promoting the safety of people and property. Society is much better served when conditions are improved and an atmosphere is created in which the tendency toward criminality is reduced than when another criminal is apprehended after having committed a crime. So also, the state is best served when the auditors contribute toward the development of conditions in which information and control systems are effective so that problems are eliminated and excellence is achieved.

Perhaps another good analogy is that of a doctor. Only an unscrupulous doctor would hope that an examination of a patient would disclose a health

problem. Every doctor is anxious to prescribe preventative treatment so as to avoid having to handle major problems. No true doctor takes joy in seeing a patient have to undergo surgery or suffer through an accident. Neither does a truly professional auditor find any thrill in discovering problems that lead to the embarrassment or discomfort of others.

I trust that you see my point, and I sincerely hope that you will not find these analogies to be incorrect so far as our office is concerned.

Our Standard of Fairness

If there is one standard that I hope we live by in this office, it is that of fairness and impartiality. I have taken great pains in selecting our initial staff so as to preclude from employment in this office any person whose personal feelings, political activities, or past experience will bias him in any way in the conduct of his work for us. I recognize that it is impossible to prevent all bias, but we will do all that we reasonably can in this effort.

Fairness pertains not only to the attitudes of the staff, but also to every phase of our work. Let me cite a few examples.

When we examine for compliance with legislative intent, we are going to be just as concerned with whether legislative intent is clearly expressed as we will be with your compliance with it. Legislative intent cannot be followed by an administrator if it is not clearly stated, understood, or implied. Thus, our recommendations will include items for the legislature as well as for managers.

When we audit a program or activity of the state, we will keep in mind that we have the advantage of hindsight. We will not seek to be critical of decisions or actions which were reasonable in light of the information

available and the circumstances at the time. We will try in such instances to see if modifications to the information system or other reasonable provisions might be made to provide you with better data in the future.

When we undertake an operational audit of any phase of your area of responsibility, we will be just as concerned with legal requirements that cause inefficiencies as we will with policies and practices followed in the agency. We also recognize that operational efficiency and program effectiveness sometimes seem to work at cross purposes, but we know too that the ideal concept of efficiency is one which seeks the accomplishment of objectives as economically as possible.

Finally, we recognize that many, perhaps most, state programs have nebulous or poorly defined objectives, and we know that it is often impossible to be as precise as we might like to be in spelling out objectives. In fact, some programs seem to have such a mix of objectives that at times they appear to be in conflict with one another. We will attempt to be understanding; but at the same time, we will not confuse the fact that assessing accomplishment is difficult with the fact that some may feel it to be unwarranted or dangerous. The truth is that state officials must know what is being accomplished with state programs and find some way to assess whether or not that is what they want. It is not the auditor's responsibility to make these decisions, but it is our duty to do all that we can to provide relevant information to those who do have that responsibility. Perhaps most important of all, it is imperative that every manager have some valid means available to him for evaluating the results of his own programs; and that is a major goal of program auditing.

In summary, we pledge ourselves to a standard of fairness, and we welcome any suggestions you may have that will help us in this regard. We believe

that fairness is not achieved when information is not available to those who need it for judgment and evaluation. Moreover, we subscribe to the principle that when performance is reported, performance improves; and when performance is reported and evaluated, the rate of improvement increases.

Preparation for Audit

I would now like to turn to the policies and procedures we will follow in our audit work, and I will begin with the steps we will take in preparation for an audit.

The first step in an audit is the development of a broad audit plan. To assist in this effort, we will assemble a file of information about the organization and its programs as background material. This will include information from the statutes, budgetary data, and other such items. We will also use our past audit reports in this effort when we get to where we can. We will also use reports issued by other offices, such as the legislative analyst, the state auditor, and Federal audit offices.

With this information available, the audit manager assigned to oversee the project and the audit supervisor who is to direct the work will sit down together and discuss in broad outline the objectives and plan for audit work. I will work closely with them in this effort, and we will then decide not only what our general course shall be, but which of our staff should become involved.

The Entry Conference

Once we have a general statement of objectives and a broad outline for our work, we will contact you to schedule an entry conference. At this conference, we will discuss with you and your assistants our goals and plans. Our purpose will be to explain and clarify any questions you may have, and

we will invite your input and suggestions as to ways in which we can be of help to you.

At this conference, we will also want to establish a firm understanding as to who should be the point of contact in your office throughout the audit, for it is our desire to keep open the channels of communication and to keep you informed of our progress and findings.

We will also want to arrange for appropriate space in which to work, and to discuss the use of duplicating equipment and other such items. We want to minimize interruptions to the work of your staff while doing our work as efficiently as possible.

We welcome your suggestions as to how we can make these conferences more helpful and meaningful to you, for they should set the tone of the entire audit effort. Exceptions to this policy of entry conferences will be made only in those rare instances when in our best judgment a surprise audit is warranted.

The Preliminary Survey

Following this entry conference, our staff will conduct a preliminary survey of the areas to be audited. Based upon what is found in the survey, modifications will be made to the audit plan; and special areas for in-depth analysis will be identified. Emphasis will be placed upon those areas in which we feel we can make the greatest contribution and those which are of greatest interest to legislators and managers.

Once this survey is completed, our staff will again sit down with you or the one in your agency designated as our official contact, and they will explain our conclusions from the survey. Once again, you will have an opportunity for input and suggestions, and we will try to answer your questions.

The Examination for Evidence

The key to understanding the work of an auditor is the knowledge that the whole aim and purpose of the audit examination is the gathering of evidence to support a conclusion about some proposition. This fact is well explained by Mautz and Sharaf in their excellent study entitled The Philosophy of Auditing, as follows:

Auditing in its entirety is made up of two functions, both closely concerned with evidence. The first is the evidence-gathering function; the second is that of evidence evaluation. In many instances in practice, evidence is evaluated as it is gathered so these two functions appear to proceed simultaneously. There is little conscious separation of the two, and for the examination as a whole they proceed as one. For judgment on any individual proposition, however, they must be undertaken one at a time and in the order stated. First, the auditor must turn his efforts to obtaining as much evidence as he feels he will need to judge satisfactorily the proposition before him. Having the evidence in hand, he must then examine it critically before he permits it to work on his mind and compel or persuade him to accept the truthfulness or falsity of the proposition. (p. 87)

This point is crucial to you as managers. The auditor is not going to go into your agencies to impose his personal judgment on your work. He is going to look for evidence, and he will gather and evaluate it in accordance with some very specific audit standards.

An audit is really a research project undertaken in the true scientific sense. Certainly there are differences between the scientist who is attempting to discover some new truth and thereby expand the sum total of human knowledge and the auditor who seeks to discover evidence to support an opinion or conclusion about operating matters, but the similarities are more significant than the differences.

In designing and conducting his examinations and tests for evidence, the auditor must maintain the true scientific attitude toward his research. The true scientific attitude starts with no axes to grind and seeks data from every reliable source, always analyzing, classifying, and generalizing

last of all and then only with great caution. The scientific attitude requires disciplined, patient, and honest observation and inquiry; and it demands that we report with unscrupulous honesty what we find, not what we thought we would find or wish we had found. It requires that we be willing at any time to sacrifice an assumption whenever the facts discredit it. In addition, we must constantly be alert not to claim wider application for our conclusions than the limitations of our data justify.

Even though the auditor must maintain the scientific attitude toward his inquiry, there is one very significant difference between the auditor and the scientist. Whereas the scientist is expected to pursue his inquiry wherever it may lead him and until he ultimately discovers truth, the auditor is limited to the information that is available to him at the time. I quote again from Mautz and Sharaf:

[The auditor] is required to come to a judgment in order to be of service, and he must reach that judgment at a reasonable cost and within a reasonable time. He is in no position to extend his inquiry until he obtains evidence that convinces him absolutely on every issue before him. Certainly there are matters on which he must accept something not so conclusive. But he must still formulate judgments. (p. 23)

The auditor always works in the short run, striving to meet deadlines, keeping within the allotted budget, and attempting to get the report out on a timely basis. Rarely is it possible for him to apply all possible procedures to any given problem. Thus, while the scientist must always pursue the best possible evidence, however long it takes to get it, the auditor is often required to satisfy himself with something less than the best possible evidence. This condition, however, does not constitute an excuse for less than the best possible effort on the part of the auditor; for in the true scientific sense, he still must bring his best to the job at hand.

To quote once again from Mautz and Sharaf:

Here a well disciplined mind is essential. It is easy to accept evidence on its face, never questioning its reliability. An auditor must refrain from such temptations and school himself in carefully and critically examining the evidence he accumulates before he accepts it. Here his problem is akin to that of any judgment-maker who himself collects or creates the evidence he must then evaluate. Working closely with evidence while collecting or creating it, he may unconsciously be prone to overrate both its significance and its reliability. Only by critically studying evidence in general and the particular evidence before him in each problem can he expect to reach the consistently valid judgments expected of a professional person. (p. 87)

I wish we had time to discuss some of the other important audit standards with you today; but this presentation is already too long for one sitting, and we still have a few other critical items to cover. Let me simply assure you that we will attempt to follow rigorously all of the professional audit standards applicable to our audits.

The Exit Conference

At the conclusion of every audit, we will prepare a written audit report. We are required by law to have a copy of each report in the hands of the legislature within 75 days after the completion of the study.

The draft of an audit report is never an easy matter. It must set forth the conclusions and recommendations of the study in a fair and effective way. It cannot be too long or no one will read it; and it cannot be too short because it must contain sufficient information to support the conclusions and recommendations. It cannot be too technical, yet it must often deal with very technical matters. And above all, it must be written in clear and precise language that does not lead to misunderstandings.

Once the report has been drafted and has been reviewed and approved by both the Audit Manager and the Auditor General, a meeting will be scheduled with the agency director to discuss the contents of the report. The purpose

of this meeting is to permit agency administrators to ask questions and respond to the recommendations of the report. The audit team will be expected to support and justify their conclusions and recommendations from the evidence gathered in their examination and research. Advance copies of the report draft will be provided to the agency for study prior to the meeting.

All steps taken by the agency to comply with suggestions and recommendations made by the auditors will be clearly disclosed in the report. If there are matters on which the auditors and agency officials disagree, the agency director will be invited to draft a letter succinctly setting forth his position; and this letter will be published as an appendix to the audit report. The contents of the letter, however, must be restricted to the issues raised in the report if the letter is to be published in the appendix.

Issuing the Report

The precise policies and procedures for issuing our reports have not been fully worked out with our audit committee, but I can tell you what we are thinking at this time and how I personally feel on the subject.

Following the exit conference, the manuscript will go through final editing and printing in preparation for distribution. The printed copy of the report will normally include the following:

1. A brief digest of the report and a summary of major recommendations.
2. An explanation of the nature, purpose, and scope of the report.
3. A succinct discussion of the findings and conclusions of the study.
4. A detailed list of recommendations, categorized according to who should take the responsibility for follow-up and implementation.
5. Appropriate appendices.

Before the report is issued publically, advance copies will again be given to the agency director and other appropriate state officials. Our staff

will also appear before our audit committee to discuss with them the nature, conclusions, and recommendations of the report.

Once the report has been reviewed and discussed by the audit committee, it will be released to the public, and copies will be mailed as required by law to all members of the legislature. Copies will also be given to the press, and a copy of each report will be maintained in our office for public inspection at any time the office is open.

Either at the time of the issuance of the report or soon thereafter, appropriate arrangements will be made for the agency director to appear before the audit committee and explain the position of the agency with regard to the issues raised in the report. We feel, again in the spirit of fairness, that the agency should have "its day in court." Then, having heard both sides of any disputed issue, the audit committee will take or recommend steps to follow up on the report. Enforcement powers lie with the legislature and with executive officials, not with our office.

Relations with the Press

I suppose this discussion would be incomplete if I did not review with you our policy and attitude toward the press. This subject, I suspect, is of as much interest to press representatives who are here as it is to those whose programs will be subject to our audits.

I believe that a free and responsible press is essential to our system of government and that it is the duty of the press to search after the news with vigor and enthusiasm. I also believe that it must be left to the press to decide what issues are reported and what is ignored, for any effort to restrict or dictate what is to be reported violates the spirit of freedom of the press.

On the other hand, I believe that all news reporters have an obligation both to their profession and to the public to search for the facts and to report the facts as they find them. Indeed, my comments earlier about the need for auditors to follow certain standards in their search for evidence and in drawing conclusions from the evidence found could well apply to news reporters as well. And I fully realize that the press works under even more critical time constraints than do the auditors, for often a story must be out today or it will simply be repetitious history tomorrow.

With regard to our office specifically, I want to invite those from the press who plan to cover our office to come by some day and let us talk with you about our work. In particular, I appeal to you not to simply thumb quickly through an audit report, looking for a problem to report. Rather, look carefully at the summary and read carefully the recommendations, and then report what we really found and what we really concluded.

You folks in the press have a tremendous opportunity to promote good government, just as we do; and if we both work in a positive spirit toward that end, we can accomplish much. However, you can poison the atmosphere for us and reduce our effectiveness significantly if your reports leave false impressions, create unwarranted suspicions, and overlook the positive elements of our reports. All we ask is that you be fair and accurate.

For our part, I want to assure you heads of departments and agencies that we are not going to go running to the press with every little problem we find. Neither will I or representatives of my staff be giving public speeches in which we run out a laundry list of problems found in our audits. Our public statements will not be different from those we make in the exit conference and the legislative hearings covering the audit report. We pledge to you here, as in all other phases of our work, that we will try to be

fair in what we do. We want to earn your trust and confidence, as well as the trust and confidence of the press, and we believe this is the way to do it.

Concluding Remarks

In concluding this discussion, I want to report to you where we stand today. My staff is currently in the middle of a study of audits that have been performed in recent years involving state agencies. Most of you have already been contacted in connection with that study. We are also trying to identify all audit requirements pertaining to state programs. From this study, we hope to issue two or three reports, depending upon our findings. These will not be audit reports, however, for this study is not being undertaken as an audit of any program. From this study, we also hope to set our goals and chart our course for the months ahead.

One important goal toward which we are working is that of a single audit to satisfy both state and Federal interests. With Federal policies as they are today, we believe that it is possible for us to develop our audit programs to the point where a single audit conducted here in the state can satisfy both requirements for many of our state agencies. We also have the opportunity of receiving substantial financial support from Federal funds to pay for much of such audit work if we can meet the qualifications and standards. My personal belief is that we will render a great service to all of the agencies of the state currently receiving Federal funds if we can achieve this goal.

I personally worked on the project to develop the audit standards that must be met by our office if this goal is to be realized, and I also worked on a study of auditing in state education agencies where we found that as

many as seven different auditors had examined some phase of the work of some state education agencies. These experiences have taught me how important it is that we move toward the goal of a single audit. They also give me great confidence that in due time we can meet that goal.

Along these same lines, we need to remember that we now have two major audit offices in the state--our office and the office of the State Auditor. Mr. Monson and I have already initiated a dialogue between our offices to coordinate our work so as to avoid duplication and conflicts. We are one of only a very few states with two major audit offices, and it is imperative that we work closely together and correlate our efforts as much as possible.

My staff will soon be embarking on another study that will affect most of you, and I want to say just a word about it. We are going to do a survey of the accounting and data processing systems in use in the state today. Our objective is to find out basically where we are and what we have in these areas without at this time getting deeply into an audit or evaluation of any one system. Our staff should be contacting you soon regarding this study. In that regard, if you have not already done so, you may wish to give us the name of your deputy or an assistant whom you would prefer that we contact for these general studies if you would rather not be contacted yourself.

I want to thank you for coming and invite you to give us your comments and suggestions at any time. We hope to keep in close touch with you as we embark on this challenging but exciting new phase of auditing in Utah. Sometime soon, I hope to be able to visit personally with each of you, perhaps at lunch or at another time that does not interfere too much with your other work, so that we can get better acquainted and obtain your input and ideas regarding our work.

Martin Luther King used to say, "I have a dream." His dream was of a better world for the people of his race. Well, I too have a dream of a better world, and the ultimate test of my success or your success, of my office and your office, will be the degree to which we can contribute to a better world for the people of Utah.