

**GOVERNMENT OPERATIONS AGENCY**  
**DEPARTMENT OF GENERAL SERVICES**

**OFFICE OF AUDIT SERVICES**

**STATEMENT OF  
PURPOSE, AUTHORITY  
AND RESPONSIBILITY  
(CHARTER)**



DEPARTMENT OF GENERAL SERVICES  
OFFICE OF AUDIT SERVICES

STATEMENT OF PURPOSE, AUTHORITY AND RESPONSIBILITY  
(CHARTER)

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(CHARTER)**

**MISSION**

To provide the director of the Department of General Services (DGS) with an independent, objective assurance and consulting activity designed to add value and improve DGS' operations. The Office of Audit Services (OAS) helps DGS accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

OAS' goal is to perform both a comprehensive internal and external audit function that will assist the director and other members of DGS in the effective discharge of their responsibilities. To this end, OAS furnishes analyses, appraisals, recommendations, counsel and information concerning the activities it reviews with the emphasis on the promotion of effective control at reasonable cost.

**ROLE & PROFESSIONALISM**

OAS is established by the director. OAS' responsibilities are defined by the director as part of his/her oversight role.

OAS will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, OAS will adhere to DGS' relevant policies and procedures and OAS' standard operating procedures manual.

**AUTHORITY**

As representatives of the director, OAS staff, with strict accountability for confidentiality and safeguarding records and information, shall have authorization for full and complete access to any and all of DGS' records, files, documents, accounts, physical properties and personnel during the conduct of any authorized audit activity. All employees are requested to assist OAS in fulfilling its roles and responsibilities.

OAS staff may also examine such documents of other state agencies as authorized by Government Code Section 14619. Further, staff may act as representatives of DGS in exercising examination or review authority vested in the department through contractual agreements.

In accordance with the provisions of Government Code Section 14615, DGS has general powers of supervision over all matters concerning the financial and business policies of the state in regard to the duties, powers, responsibilities, and jurisdiction specifically vested in the department. Whenever DGS deems it necessary, or at the instance of the governor, it shall institute or cause the institution of such investigations and proceedings as it deems proper to conserve the rights and interests of the

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state. OAS is hereby designated by the director to conduct audits in accordance with this authority and within the office's mission.

**ORGANIZATION**

OAS is located in the Executive Office. The audit deputy director reports regularly, directly and freely to the director and chief deputy director on matters of significance. Additionally, the audit deputy director shall, after consultation with the director and chief deputy director, report to the Audit Committee on DGS audit policy and guidance issues.

The director and chief deputy director will:

- Approve the audit charter.
- Approve the risk based audit plan
- Receive communications from the audit deputy director on OAS' performance relative to its plan and other matters.
- Make appropriate inquiries of the audit deputy director to determine whether there are inappropriate scope limitations.

**INDEPENDENCE & OBJECTIVITY**

In order that OAS independently and objectively carries out a comprehensive audit program, it is essential that its operation be free of any influence, actual or perceived, that would in any way curtail freedom of action or otherwise impair the objectivity of the office in the performance of the audit function. Independence is the freedom from conditions that threaten the ability of OAS to carry out its internal audit responsibilities in an unbiased manner. Objectivity is an unbiased mental attitude that allows auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

The audit deputy director, under the general direction of the director, chief deputy director and Audit Committee, is responsible for the identification of the activities to be audited and the scope of audits of those activities. To permit maintenance of a necessary independent and objective mental attitude, OAS' audit activities will be free from interference in performing work and communicating results.

Auditors are to have no authority or responsibility for the activities they audit. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. This does not prevent the auditors from providing consulting services that are advisory in nature, and are generally performed at the specific request of an engagement client. Examples include counsel, advice, facilitation and training.

OAS' auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

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**RESPONSIBILITY**

The responsibility of OAS and its deputy director is to serve DGS in a manner that is consistent with the International Standards for the Professional Practice of Internal Auditing and with the professional standards of conduct as contained in the Code of Ethics adopted by The Institute of Internal Auditors, Inc.

Specific responsibilities include:

- Establishing policies for conducting its activities and directing its technical and administrative functions in accordance with DGS' policies.
- Assuring that the resources of OAS are efficiently and effectively utilized.
- Recruiting and training audit staff.
- Submitting annually to the Audit Committee for adoption and to the director and chief deputy director for review and approval, a formal audit plan that includes audit goals and objectives, an audit work schedule and a staffing plan.

The audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management. The audit deputy director will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to the director and chief deputy director.

- Assuring that audit work fulfills the general purposes and responsibilities adopted by the Audit Committee and approved by the director and chief deputy director.
- Performing comprehensive internal operational audits that have a scope which encompasses, when appropriate, the examination and evaluation of the adequacy and effectiveness of systems of internal control and the quality of performance in carrying out assigned responsibilities. The primary objectives of systems of internal control are to ensure:
  1. The achievement of the organization's strategic objectives.
  2. The reliability and integrity of financial and operational information.
  3. The effectiveness and efficiency of operations and programs.
  4. The safeguarding of assets.
  5. Compliance with laws, regulations, policies, procedures and contracts.
- Performing periodic reviews of DGS' systems of internal accounting control.
- Conducting audit activities that assist in assuring compliance with the internal control and monitoring activities required by the State Leadership Accountability Act (Sections 13400 through 13407, Government Code). These activities include the previously noted internal operational and accounting control audits.
- Performing comprehensive audits of external entities that have been delegated the responsibility for performing an operation or program under the purview of DGS. This includes compliance audits of exemptions or delegations granted to state agencies. The scope of the audits includes, but is not limited to, compliance with policies governing contracting, fleet administration, small business and disabled veteran business enterprises usage, driver safety and insurance, surplus property and real estate.

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- Performing audits of external entities to determine that procurement transactions are being conducted in accordance with the terms and conditions of a department's purchasing authority delegation agreements with DGS. As required by Public Contract Code Section 10333, an audit must be conducted at least once in each three-year period of each state agency to which purchasing authority has been delegated by DGS.
- Performing audit activities required by Section 10352 of the Public Contract Code of any state agency granted an exemption from DGS approval for contracts under \$150,000.
- Performing special reviews and investigations.
- Following up to ascertain that appropriate action is taken on reported audit findings. This activity will be primarily accomplished through the obtaining of six-month status reports from the auditee.
- Being solely responsible for the coordination of all audit activities performed within DGS by external audit agencies. All contacts by external auditors will be referred to OAS for coordination, scheduling, and response.
- As requested, providing consulting services to management of an operation or program of DGS. Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
- Investigating allegations of misuse of state property, fraud or wasteful practices. A reporting "hotline" is to be maintained by OAS for employees to report incidents.
- As requested, providing audit services to the director and chief deputy director, the Audit Committee, and other management officials.
- Informing the director of audit requirements.
- Signing all final audit reports.

**REPORTING & MONITORING**

A written report may be prepared and issued by the audit deputy director or designee following the conclusion of an audit engagement and distributed as appropriate.

The audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. OAS will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

The audit deputy director will biannually report to the director and chief deputy director on its purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management.

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**QUALITY ASSURANCE & IMPROVEMENT PROGRAM**

OAS will maintain a quality assurance and improvement program that covers all aspects of its internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.


The audit deputy director will communicate to the director and chief deputy director on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

This statement of purpose, authority and responsibility (Charter) was adopted by the Audit Committee on 2/14/19 *CS*.

**CHARTER APPROVED:**

  
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**JEFFREY L. MCGUIRE**, Chief Deputy Director  
Department of General Services

2-15-19  
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DATE

  
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**DANIEL C. KIM**, Director  
Department of General Services

2/19/19  
\_\_\_\_\_  
DATE