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THE PRE-AUDIT ASSESSMENT - A
HOMEWORK ASSIGNMENT FOR AUDITORS

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The Pre-Audit Assessment - A Homework Assignment for Auditors

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INTRODUCTION

The role of the quality assurance audit is evolving from compliance verification to a much broader assessment of programmatic and management performance. In the past, audits were poorly understood and caused fear and trepidation. Auditees turned an audit into a cat-and-mouse game using coverup strategies and decoy discrepancies. These games were meant to "give the auditors what they want," namely a few findings that could later be easily corrected. At Pacific Northwest Laboratory (PNL), I observed auditing become a spectator sport. Matching a compliance-oriented auditor against a crafty group of scientists provided hours of entertainment.

As a program manager, it was clear these games were neither productive useful nor cost effective. Fortunately, over the past few years several concepts embraced by "total quality management" have begun to emerge at my Laboratory. These concepts are being adopted by most successful organizations, and based on these concepts new tools and ideas are emerging to help organizations improve productivity and quality.

Successful organizations have been and are continuing to develop management strategies that rely on participative approaches to their operations. These approaches encourage the empowerment of organization staff at all levels, with the goal of instilling ownership of quality in every staff member. As management philosophies are changing, so are the responsibilities and expectations of managers. Whether an organization has fully implemented changes, is in the process of change, or mulling over what to do, managers everywhere are experimenting with new tools to help them improve their operations and competitiveness.

As the quality audit evolves, managers and other customers of the audit process have developed expectations for the auditing process that never existed in years past. These expectations have added complexity to the audit process. It is no longer adequate to prepare a checklist, perform the audit, and document the results. When viewed as a tool for verifying performance, the scope of a quality audit becomes much more than a compliance checklist.

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AUDIT PREPARATION

To be sure the quality audit will meet the expectations of the customers, the auditor must place emphasis on audit preparation. The groundwork for the audit must be carefully laid to be sure the audit can be performed on schedule, and have the least impact on day-to-day operations.

During audit preparation the auditor can take steps to ensure the success of the audit. While preparing for an audit, define the customer expectations, and any specifics topics that may need to be explored during an audit. This is the time to set the tone for the audit, and to establish trust and respect between the audit team and customer. I have found that a three phase approach to audit preparation can help me meet my objectives. These parts are the pre-audit meeting, background research, and checklist preparation. The pre-audit meeting allows the auditor the most creativity. The only rule that applies in this phase is simple; make a good impression. After the pre-audit meeting(s) the auditor will know something about the auditees. From these meetings the auditor should have enough information to begin gathering background information in those areas that may require attention. Upon completing the background investigations, the audit checklist can be prepared.

Once the pre-audit assessment is complete, the auditor can fine-tune the audit team, and plan an appropriate audit to meets the needs of the customer. It is through the efforts of a properly prepared auditor that the role of the quality audit will evolve from a stick used for punishment to a useful, constructive tool for improvement.

PRE-AUDIT MEETING

The pre-audit meeting is probably an auditor's most useful tool to determine the expectations of the parties involved with the audit. Several different meetings may be necessary to get an overall grasp of the expectations of the various parties. For example, the project staff of a research program may expect an audit to verify calibrations of instruments, but the agency funding the program may want the subcontracting efforts of the program examined. The managers of the program staff may want the audit to determine if the program is properly controlled. There may also be specific requirements that the audit must address due to contractual agreements or regulations. Once these expectations and factors are identified, it is up to the auditor to meet as many of those objectives as possible.

The information gathered from the pre-audit meetings can then be used to help the auditor prepare the scope of the audit. Look and listen carefully for overlapping areas of concern from the program staff and management and target those for investigation. During the audit, these areas can be investigated for strengths and weaknesses. If weaknesses are identified, the audit report can serve as the vehicle from which improvement begins. If an area of concern is investigated and no weaknesses are found, the audit report can serve to bolster the confidence of the staff and management.

The pre-audit meetings allow the auditor to become acquainted with the personalities of the staff who will participate in the audit. Hostilities and tension can be reduced by addressing the anxieties of those staff members who feel threatened by the auditing process. The attitudes of the auditees can be extremely important to the success of the audit. It is unlikely that an auditor will gather much more than "yes" or "no" answers from a hostile auditee, making it more difficult to conduct a successful audit.

Be aware that the auditor's attitude and mannerisms of the auditor will heavily influence the response of the auditees. Remember that an auditor's strong self-confidence and aggressiveness can be interpreted as arrogance and hostility. During the pre-audit meetings, it is important to establish a large "comfort zone" in which all can work. Make the staff comfortable with your presence. They will be much more cooperative and helpful if they feel unthreatened.

BACKGROUND INVESTIGATION

Once the results of the pre-audit meetings are assessed, the auditor can begin gathering supporting information about any or all areas that will need to be addressed. Sleuthing may be a more appropriate description for this activity. I often rely on my instincts and impressions when I pick areas to begin investigating. I develop a series of questions based on what I learned in the pre-audit meetings and then gather information on those subjects. Obtain and study previous audit reports and speak with previous auditors if possible. Identify and speak with customers of the organization. Find out how they feel about the service or products they have obtained from the group. Examine several of the products produced by the organization to familiarize yourself with their work. Try to find out deliverable schedules and financial tracking information pertinent to the audit. By coupling background information with information gathered at the pre-audit meetings, I can begin to focus on specific areas that may need improvement.

AUDIT CHECKLIST

The audit checklist preparation can be a time consuming task. However, efficiency can be improved by carefully studying the results of the pre-audit meetings and the background investigations. I look for overlapping areas of concern, areas where performance has been questioned, and areas where specific requirements dictate how an organization is to perform. Usually I end up with more ideas and areas to examine than I can look at during an audit. I prioritize these based upon the importance placed on these items by those persons I interviewed in the pre-audit meetings. I include any areas for which corrective action from previous audits or surveillances is outstanding or only recently completed. Then, I prepare the checklist. The resulting audit will then be a compromise between funds, time, and the desires and/or requirements of the affected parties.

SUMMARY

By using a three-phase approach to audit preparation, I have been able to conduct several successful audits. The approach relies on good communication, development of trust, and careful research and planning. Used effectively, this approach can help auditing contribute to the improvement of a customer's performance. A case where this approach was used successfully follows.

During a pre-audit meeting an auditor identified a staff member who was hesitant to give out information about his work. The overworked program manager was satisfied with the work, but the auditor detected a hint of anxiety in the manager's voice. During the auditor's examination of a report written by the staff member, the auditor determined that the data presented were limited and the conclusions were laced with "however," "but," and "possibly." The auditor had gathered program expenditure information from the program manager during a pre-audit meeting and noticed that this staff member was often overrun on his task. The auditor suspected that a problem existed in this area. Instead of uncovering this information during the audit, the auditor could spend time trying to find out if a real problem existed within the program. In this case the auditor developed a series of questions designed to look at the research planning process. As a result of the audit it became clear that the client expectations were greater than the allocated budget and time schedule could support. More realistic goals were set, and program performance improved.

Although homework is not a pleasant thought, this approach to audit preparation can and will work. The amount of preparatory work is increased, but the resulting audit will be more effective. Also, the audit will be viewed and accepted much more positively by the audited organization.

The Pre-Audit Assessment

A Homework Assignment for Auditors

Dr. Steven C. Marschman

Pacific Northwest Laboratory

What is an AUDIT?

**Let's examine the audit from a
"top-down" perspective:**

- **Management/Client Expectations**

**From a Management Perspective,
the audit has become a useful tool for:**

- **Verifying performance.**
- **Identifying areas for improvement.**
- **Checking compliance when needed.**

**The goal is always to look for
process/product "enhancements."**

What About the Auditees?

Audits are often viewed
quite differently...

Auditees often feel:

- Fear and trepidation.
- That AUDITORS are **EVIL**.

How Can the Gap be Bridged?

The Auditor must ensure the audit will:

- **Meet the client's expectations.**
- **Be effective and beneficial.**
- **Provide value.**

Enter the Pre-Audit Assessment

A 3-phase approach used to:

- **Lay out the audit playing field.**
- **Give direction to the audit.**
- **Build relationships and trust.**

What are the 3 Phases?

- ✓ **Pre-Audit Assessment**
- ✓ **Background Investigation**
- ✓ **Checklist Preparation**

Phase 1, the Pre-Audit Assessment

An informal meeting of all the parties involved with the audit.

- **Management**
- **Auditees**
- **Audit Team Members**

Objectives of the Pre-Audit Meeting(s)

This is the most critical phase of the audit. Here the auditor must:

- **Determine the expectations of all parties.**
- **Establish the credibility of the audit team.**
- **Set the tone for the audit.**
- **Diffuse anxieties/hostilities, build trust.**
- **Gather enough information to perform the next phase.**

What to do Next...

Using the information from the Pre-Audit Meeting(s):

- **Look for overlapping areas of interest.**
- **Prioritize the areas based on importance, time, cost.**

Phase 2, Background Investigation

Look for more information by:

- Investigating past audits and surveillances.
- Contacting customers, past auditors, and others familiar with the organization to be audited.
- Gathering and reading, studying, or investigating anything mentioned during the pre-audit meetings that seems even vaguely important.
- Coupling knowledge with instincts and impressions to make decisions on what to audit.

What to do Next...

**After the meetings and sleuthing,
it's time to focus on the audit...**

- **Decide what areas will receive
priority during the audit.**
- **Ensure your audit team is sufficiently
skilled to cover the focal areas.**

Phase 3, Checklist Preparation

Time to put it all on paper...

- **Use knowledge gathered to shape the checklist (saves time).**
- **Develop questions around the items of highest priority.**
- **Develop questions for secondary items that overlap the priority items whenever possible.**
- **Balance scope with value.**

Summary

By completing these pre-audit homework activities, an auditor can ensure an effective, successful audit because:

- The expectations of the audit are identified.
- Trust and communication are established.
- The audit has been carefully researched and planned.

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