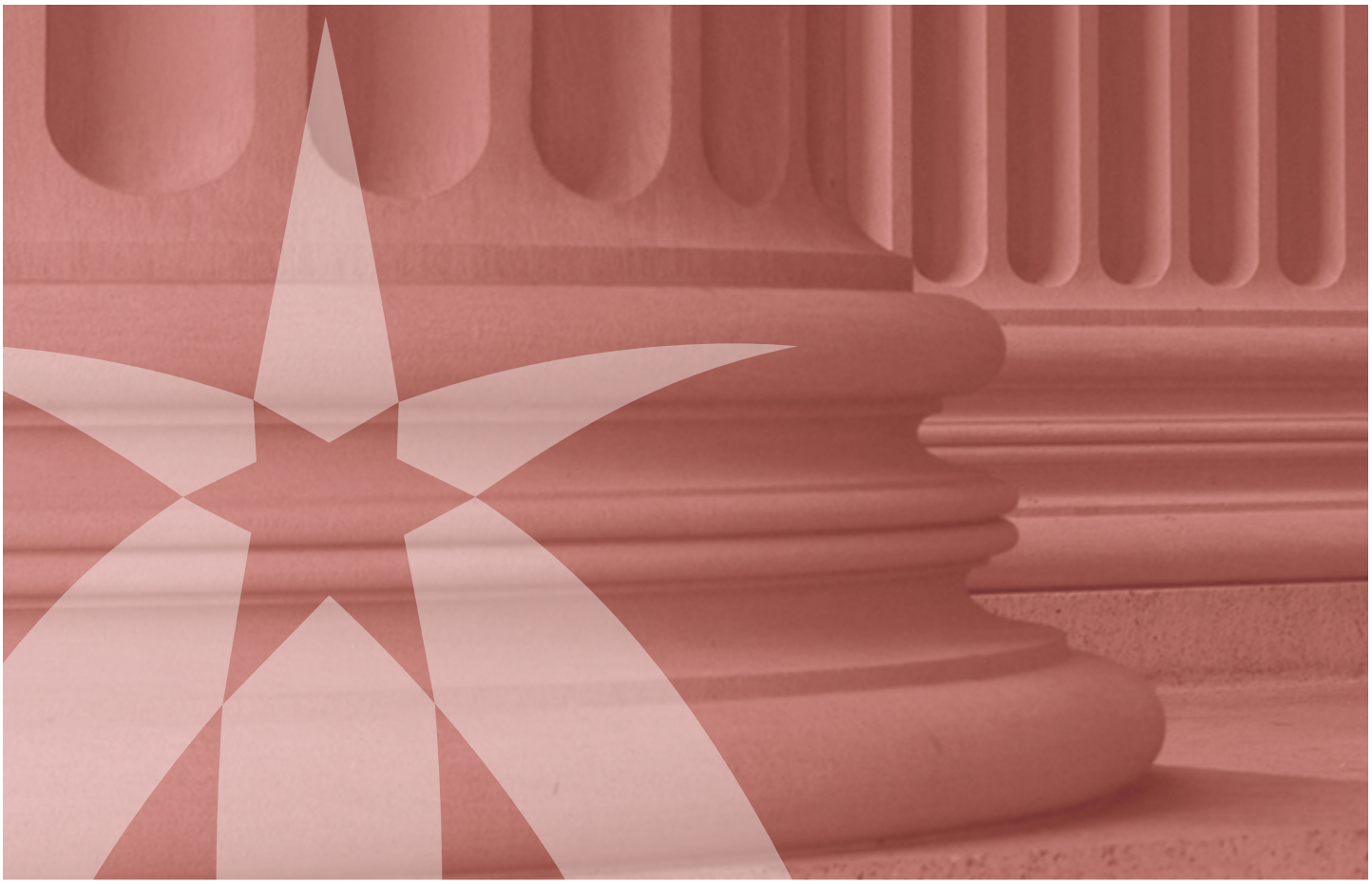
NSAA National State Auditors Association

An Affiliate of NASACT

State Auditors

Protecting Taxpayers at All Levels of Government



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ACKNOWLEDGEMENTS

The 2025-2026 NSAA Executive Committee for their leadership, expertise, and consultation in the compilation of this report.

All NSAA Members for their dedicated public service and commitment to independent oversight of taxpayer funds and the efficient and effective operation of governments at all levels.

For More Information

Josh Winfrey
Executive Director, NASACT
jwinfrey@nasact.org

Autumn Drane
NSAA Director
adrane@nasact.org

PURPOSE OF THIS DOCUMENT

This document outlines key roles state auditors play in the government accountability community and offers government decision makers a roadmap to areas where auditor expertise can assist them. Independent auditing of public funds is embedded in the foundational structure of all 50 states, the District of Columbia and U.S. territories. For generations, these audit offices have served the United States as watchdogs of public funds, contributing to accountability and transparency and promoting the efficient use of public resources in state and local governments.

Audits play a vital role in public life by providing reliable, neutral, fact-driven information. Audit work manifests in many forms — from oversight of state and federal funds to performance audits and innovative data-driven projects. Audits not only serve the public, but also provide state and federal lawmakers with vital, objective information necessary for effective policymaking, oversight, and reform.

We are living in an era of increasing fiscal challenges at all levels of government, emerging artificial intelligence technologies, and ever more sophisticated cyber and fraud risks. Even more concerning, surveys show public trust in government is at or near all-time lows.[1] In this environment, state auditors play a critical role in safeguarding public funds, promoting transparency, and improving government operations at all levels. This paper will show that, through long-standing traditions of oversight, rigorous professional standards, and a steadfast commitment to independence and objectivity, state auditors serve as essential pillars of good governance. As government programs grow increasingly complex, the importance of a professional and independent audit function — supported by institutional knowledge, diligent oversight, peer review, and professional development — has never been greater.

INDEPENDENT AUDITS ARE TRUSTWORTHY

When a state audit organization is permitted to perform its function independently, all stakeholders benefit, especially taxpayers and lawmakers. The independence of the audit organization is essential because an independent state audit function produces trusted work that all can rely on, regardless of their personal or political beliefs. A truly independent audit function provides the public with transparency about government actions, provides lawmakers with vital information needed to shape new legislation or improve existing legislation, and provides government entities with recommendations for meaningful improvements.

State auditors who are directly elected by the public are generally constitutionally or statutorily separate from other branches of government. Most appointed state auditors report to the legislature and audit the executive branch. Because auditors in government sometimes

Members of the National State Auditors Association (NSAA) are the elected or appointed auditors and their staff with statewide *external* financial and/or performance audit responsibilities.

work under conditions that may present threats to independence, such as undue influence and structural threats, the accountability profession has developed robust mitigation strategies. The U.S. Government Accountability Office's *Government Auditing Standards* (the Yellow Book) provides guidance on how to remove, minimize or disclose independence threats, and state auditors incorporate that guidance in their work every day so they can operate with the independent accountability the public expects. For more details about specific independence risks and mitigation strategies, readers should refer to chapter 3 of the Yellow Book.

Recognizing the importance and preserving the independence of state auditors is a government-wide effort that requires diligence from audit organizations and governing bodies.

STATE AUDITORS FIGHT FRAUD, WASTE, AND ABUSE

Fifty-three audit offices have a mandate to investigate allegations of fraud, waste, and abuse. Offices accomplish this in a variety of ways:[2]

- Thirty-four offices independently operate fraud hotlines to collect information from citizens and government employees.
- Thirty-five offices have within their mandate to investigate whistleblower complaints.
- Thirty-two offices conduct formal investigations into allegations of fraud, waste, and abuse, often working closely with law enforcement agencies within their jurisdiction.

The role of state auditors has been more widely recognized in recent years. State auditors were one of the earliest groups to sound the alarm and document significant internal control deficiencies and fraud in federal programs intended to mitigate the financial burdens of the COVID-19 pandemic. A report on unemployment insurance published by the Pandemic Response Accountability Committee highlighted numerous and significant findings from state auditors.

STATE AUDIT OFFICES UNDERSTAND GOVERNMENT

State auditors are public servants and deeply conscious of their responsibilities to the public interest. State audit offices possess decades of institutional knowledge of state government systems, processes, and laws and regulations. Auditors are also familiar with the regulatory environment at the local level within their states. The comprehensive knowledge by state auditors of their environments and populations, coupled with the rigorous professional standards they are required to follow, equip them to be clear-eyed in assessments and recommendations for good governance.

In a 2024 report, the Government Accountability Office estimated that direct annual financial losses to the federal government from fraud were between $233 and $521 billion based on data from 2018-2022.

Audits of State and Federal Funds Provide Essential Financial Oversight

The public, lawmakers, investors, and other stakeholders must be able to rely on financial information reported by state and local governments to make sound decisions. This is why financial statement audits are foundational to the profession. These audits provide reasonable assurance that financial statements at the state and local level accurately reflect and report the use of both state and federal funds. Forty-four state audit offices perform financial statement audits.[3]

States are accountable to the citizens to accurately report their financial activity each year, and citizens rely on this information to assess how lawmakers are spending public funds. Lawmakers are drafting, amending, and repealing legislation in an increasingly complex environment. Additionally, according to the Municipal Securities Rulemaking Board, the issuance of new municipal bonds reached record levels in 2024, exceeding $500 billion for the first time.[4] Rating agencies rely on financial statement audits to assign credit ratings to these municipal bond issuers. The public gets its best return on investment when government financial statements are accurate and timely.

Financial oversight is not limited to state and local funds. First created by the Single Audit Act of 1984, and later amended in 1996, a Single Audit is an organization-wide audit of a non-federal entity's financial statements and of its expenditures of *federal* funds, also called federal awards. In fiscal year 2022, $1.11 trillion in state revenue came from federal awards.[5] Single Audits are a key mechanism by which these expenditures are audited for compliance with federal law.

The often-overlooked role of auditing federal funds shows the importance of state auditors to the federal government and national taxpayers. Forty-one state audit offices are responsible for Single Audits at either the state or local level.[6]

Congress views state Single Audits as a quality benchmark as evidenced by the passage of the Financial Management Risk Reduction Act in 2024, which requires federal agencies to assess audit quality of Single Audits performed across the country. The act references reviews of Single Audit quality conducted by state auditors as a source of information to be used in determining audit quality broadly, showing the significance of the role state auditors play in providing oversight of federal funds.

PERFORMANCE AUDITS CAN HELP LAWMAKERS WITH POLICY DECISIONS

Performance audits are a vital tool for improving the administration of government at all levels. They are designed to provide objective analysis and conclusions to improve operations, reduce costs, make better decisions, or fix elements of programs that aren't working. While financial and compliance audits often reveal financial misstatements or internal control deficiencies, performance audits can go a step further and provide meaningful, action-oriented recommendations on how programs could function more efficiently and effectively.

In addition to requirements for independence, the Yellow Book includes guidance on ethics, professional judgment, competence, quality management, peer review (see Appendix B), and conducting and reporting on audits.

Forty-six state auditor offices conduct performance audits covering compliance with state law, program efficiency, the extent to which performance/program objectives are met, information technology (IT), and more.[7] With such a broad mandate, performance audits can take many forms and serve lawmakers in policy decisions. For example:

- A 2022 performance audit by the California State Auditor,[8] initiated because of interest from the California legislature, focused on state licensure and oversight of hospice organizations. Using data analytics and geographical analysis, the state auditor keyed in on significant fraud indicators, especially in Los Angeles County, that led the state auditor to conclude that the results suggested a large-scale, targeted effort to defraud Medicare and Medi-Cal. The investigation revealed, in one instance, that a single building contained 150 licensed hospice and home health agencies, more than the structure's maximum capacity.

- A 2020 performance audit by the Georgia State Auditor[9] examined the state Department of Economic Development and Department of Revenue's controls over awarding tax credits for the film industry. The audit revealed $3.8 million in unallowable expenditures and significant gaps in oversight such as awarding credits for *estimated*, rather than actual, expenses. The report led to action from the state legislature to improve oversight of tax credits for the film industry.

STATE AUDITORS ADDRESS MODERN CYBER THREATS

As technology continues to evolve and become a core aspect of modern governance, the IT audit functions within state audit offices are integral to ensuring the security of citizen and government data and defending against malicious actors, both foreign and domestic. Recently issued auditing standards such as Statement on Auditing Standards No. 145 by the American Institute of Certified Public Accountants, the 2024 Yellow Book, and the 2025 Green Book recognize the inseparability of information technology and internal control over financial processes. Thirty-two[10] audit offices are already actively involved in IT audits. The role of IT auditors will continue to grow in significance as more governments embrace artificial intelligence and other emerging technologies.

IT auditors within state audit organizations are actively supplementing the work of financial auditors and leading separate, IT-focused engagements. These efforts are not limited to the state level, as evidenced by the Washington State Auditor's #BeCyberSmart checkup program. This program assists local governments by providing a fast, free, and independent assessment of a government's vulnerability to common threats, along with actionable steps those governments can take to improve their overall cyber health.

The U.S. Cybersecurity and Infrastructure Security Agency tracks Cyberthreats and provides resources to state and local governments on emerging threats. These threats show the crucial role state auditors play in assessing and evaluating IT controls at the state level.

INDEPENDENT AUDITING IS A MULTI-FUNCTION TOOL

The mission and flexibility of state audit offices is a tremendous asset to the public. State auditors answer directly, if elected, or indirectly, if appointed by the legislature, to the public, and therefore prioritize the interests of taxpayers. State auditor offices have the flexibility to perform work designed to meet these interests. Audits could be performed at the will of the state auditor, the legislature, in response to whistleblower allegations, or in response to public outcries. To achieve the best program outcomes while managing the financial risk to taxpayers, having the flexibility to work with accountability professionals at and across all levels of government is essential.

An example of this flexibility in action was a 2024 partnership between public auditors in the U.S. Department of Health and Human Services' Office of Inspector General and Washington, Oregon, Ohio, Kentucky and Rhode Island. Concurrent enrollment, when one person is enrolled in Medicaid in two or more states, results in multiple governments paying for a healthcare service that the individual receives only once. Because Medicaid is a financial and administrative partnership between the states and the federal government, this means both state and federal funds are inappropriately spent in these cases. By using federal data, state data, and collaborating with other states, the Washington State Auditor determined that, on average, the state is spending $8.6 million per year on unnecessary Medicaid payments. This conclusion was reached based on the auditors reviewing just a few other states.

Several state auditors have engaged with the U.S. Department of the Treasury to utilize the Do Not Pay Program. The Alabama Examiner of Public Accounts and Tennessee Comptroller of the Treasury used this data to identify unemployment insurance payments to deceased individuals. The Auditor General of Rhode Island used the data to identify Medicaid payments to deceased individuals. In total, as of 2025, U.S. Treasury lists 27 states and territories that are working with the Do Not Pay initiative and links to the specific efforts by Alabama, Tennessee, and Rhode Island among others.

This flexibility in choosing engagements is not limited to investigations of known or suspected fraud, waste, and abuse. The Utah State Auditor developed a dashboard of detailed spending data and comparative metrics for all public-school districts in the state. The dashboard was designed to be user-friendly and allows citizens and other interested parties to efficiently analyze teacher pay, high school graduation rates, spending, academic performance, and other data sets across school districts.

These projects are just a small sample of how the work of state auditors can be used as tools to improve government.

Want to learn more?

We encourage you to visit NASACT's website to find your state auditor, contact us for more information, and to see emerging issues impacting the audit community.

The U.S. Department of the Treasury Do Not Pay program uses a secure online interface to check various data sources to verify eligibility of a vendor, grantee, loan recipient, or beneficiary to receive federal payments.

Appendix A: The Structure of State Audit Offices

State governments have always recognized the importance of protecting taxpayer funds. The concept of a state audit function can be linked back as far as colonial times. The then colony of Virginia maintained an Auditor of the Royal Revenue[11] position, a tradition that led to the 1791 creation of the office of the Auditor of Public Accounts, an office still active today. Other states outside of the original 13 followed suit, including both Kentucky (1792) and Ohio[12] (1802), which established auditor functions within their constitutions at or shortly after their founding. This practice would continue to Hawaii in 1950, Puerto Rico in 1952 and Alaska in 1956.

The legal framework under which the offices were created varies widely but most state auditor offices are deeply engrained in the history, and in some cases even the founding of their states and territories. Twenty-four audit offices were established by statute, five were established by their state's constitution, and 27 offices were established by both their states' constitutions and statute.[13]

Nearly 7,400 dedicated professionals work in state audit offices across the country and territories.[14] The leaders of these offices are established primarily from appointment by state legislatures (36 instances) or direct election by the voters (20 instances).[15]

Thirty-three state auditor offices also perform audits of local governments.[16] Specifically, 25 offices are involved with local school district engagements, 22 audit counties, 20 audit cities, towns or villages, and 13 audit non-governmental entities that receive state or federal funds.[17]

Appendix B: Who audits the auditors?

Peer Review

Professionalism is a tenet of state auditor offices. Forty-nine offices are required to follow generally accepted government auditing standards published in GAO's Yellow Book 2. To adhere to these standards, peer reviews are required for audit organizations. The National State Auditors Association's (NSAA) Peer Review Program is listed in the Yellow Book as a recognized peer review program for organizations performing government audits.

NSAA is a secretariat of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) and is committed to fostering improvement in state government through the promotion of professional auditing standards. NSAA unites state auditors from across the country to share and adopt best practices to better serve their respective citizens. NSAA members voluntarily participate in the NSAA Peer Review Program because they appreciate the scrutiny from subject matter experts in their peer group.

Additionally, for NSAA members who conduct Single Audits of their states, their peer review teams include a representative from the U.S. Department of Health and Human Services' Office of Inspector General. This provides assurance to the federal government that state auditors are performing work in accordance with professional standards.

Assessments of Single Audit quality by state auditors will be a source of the upcoming audit quality study required by the Financial Management Risk Reduction Act. The robust and comprehensive approach required by the NSAA Peer Review Program should reassure the public, state lawmakers, and the federal government that state audit organizations are performing quality engagements.

Professional Development and Education

In addition to participating in an approved peer review program, auditors conducting engagements in accordance with the requirements of the Yellow Book must obtain 80 hours of continuing professional education over each two-year period during which they are planning, directing, or performing engagement procedures for government audits. Twenty-four of these hours must be directly related to the government environment. Compliance with these CPE rules is also reviewed during the peer review process.

Notes

[1] Pew Research Center. (2024, June 24). *Public trust in government: 1958–2024*. https://www.pewresearch.org/politics/2024/06/24/public-trust-in-government-1958-2024/:contentReference[oaicite:0]{index=0}

[2] *Auditing in the States: 2024 Edition*, National Association of State Auditors, Comptrollers, and Treasurers, Tables 3, 5, 11, 17, 18, 25, and 30.

[3] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[4] Bagley, J., Converso, C., & Vieira, M. (2025, January). *2024 municipal market year in review*. Municipal Securities Rulemaking Board. https://www.msrb.org

[5] Thiess, R., Watkins, K., & Theal, J. (2024, September 10). *Record federal grants to states keep federal share of state budgets high*. The Pew Charitable Trusts. https://www.pewtrusts.org/en/research-and-analysis/articles/2024/09/10/record-federal-grants-to-states-keep-federal-share-of-state-budgets-high

[6] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[7] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[8] California State Auditor. (2022, March). *California hospice licensure and oversight: The State's weak oversight of hospice agencies has created opportunities for large-scale fraud and abuse* (Report No. 2021-123). https://www.auditor.ca.gov/reports/2021-123/index.html

[9] Georgia Department of Audits and Accounts. (2020, January). *Impact of the Georgia film tax credit* (Performance Audit Report No. 18-03B). https://www.audits.ga.gov/

[10] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[11] Mark F. Fernandez, "John Blair (1731–1800)," *Dictionary of Virginia Biography*, Library of Virginia (1998–), published 1998, (http://www.lva.virginia.gov/public/dvb/bio.asp?b=Blair_John_1731-1800, accessed [April 25, 2025]).

[12] Ohio Constitution 1802 (https://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=1329&context=clevstlrev accessed [May 28, 2025]).

[13] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[14] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[15] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[16] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

[17] *Auditing in the States*, Tables 3, 5, 11, 17, 18, 25, and 30.

About NASACT

The **National Association of State Auditors, Comptrollers and Treasurers** is an organization for state officials tasked with the financial management of state government. NASACT's membership is comprised of officials who have been elected or appointed to the offices of state auditor, state comptroller or state treasurer in the 50 states, the District of Columbia, and the U.S. territories. NASACT builds consensus among members and:

- Responds to standards-setting bodies to ensure the highest levels of government transparency, accountability and integrity.
- Monitors and responds to federal legislation and agency developments that have an impact on state government.
- Acts as a liaison to federal regulatory bodies and Congressional committees on issues of interest to members.
- Plans and manages training and technical assistance programs.
- Addresses numerous requests for information each year from state auditors, comptrollers, treasurers, and other government officials and the private sector.

History

NASACT originated in Washington, DC. in 1915. At that time, a group of state auditors and comptrollers came together and decided to institute an annual meeting for state governmental finance officials from around the country. Thus, NASACT's technical network of government finance professionals was born.

Since the 1970s, NASACT has actively expanded its role as a representative of state interests in financial management by providing leadership and training to meet the increasingly complex challenges faced by state governments.

Although NASACT has a major interest in national issues, it does not engage in any partisan political activity and no staff or organizational resources are used to support any such activity.

NASACT also manages two secretariats: the National State Auditors Association and the National Association of State Comptrollers.

Both NSAA and NASC are included under the umbrella of NASACT's budget and utilize staff hired by NASACT.

NASACT

The National Association of State Auditors, Comptrollers and Treasurers serves as the premier organization working to bring together state auditors, state comptrollers and state treasurers to cooperatively address government financial management issues.

NSAA

The National State Auditors Association is dedicated to improving state government by providing opportunities for the free exchange of information and ideas and promoting accountability, transparency and the observance of professional audit standards.

NASC

The National Association of State Comptrollers works to enhance the effectiveness of state comptrollers and to improve financial management in state government through cooperation, information sharing, education and advocacy of the issues affecting government finance.

NASACT

National Association of State
Auditors, Comptrollers
and Treasurers

Headquarters Office

449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590

P (859) 276-1147, F (859) 278-0507

Washington Office

The Hall of the States
444 N. Capitol Street, NW, Suite 234
Washington, DC 20001

P (202) 624-5451, F (202) 624-5473

www.nasact.org