
Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General



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Council of the Inspectors General on Integrity and Efficiency Audit Committee

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Audit Committee Policy Statement on Systems of Quality Control and the External Peer Review Program

I. Purpose

The purpose of this statement is to provide policy guidance to the members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) on the implementation of the general standard on Quality Control and Assurance of *Government Auditing Standards*, July 2007 Revision. The CIGIE Audit Committee administers the external peer review program under generally accepted government auditing standards (GAGAS) for Federal Offices of Inspector General (OIG).

II. Background

GAGAS requires audit organizations that perform audits or attestation engagements in accordance with GAGAS to have an appropriate system of quality control and to undergo external peer reviews at least once every 3 years. GAGAS prescribes: (1) the elements of the scope of the peer review, including performing a risk assessment to help determine the number and types of engagements to select; (2) the requirements for reporting on the results of the peer review; (3) the qualifications of review staff; and (4) the distribution of peer review reports. GAGAS also prescribes requirements for granting extensions of deadlines for submitting peer review reports.

The *Quality Standards for Federal Offices of Inspector General* (2003 Revision) are used by OIGs to guide the conduct of official duties in a professional manner. These standards incorporate, by reference, the existing professional standards for audit (i.e., GAGAS), investigation, and inspection and evaluation efforts.

The Audit Committee's policy statement on systems of quality control and the external peer review program was first issued in August 1989, and is periodically revised. The policy statement provides guidance on systems of quality control including internal review programs, and general guidance on the external peer review process. This revision to the policy statement is based on the July 2007 revision of GAGAS. It is applicable to financial audits and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008.

This policy statement supercedes the April 2005 Audit Committee Policy Statement on Quality Control Systems and External Peer Review Programs.

III. Quality Control System

Each OIG is required to implement and maintain a system of quality control for its audits and attestation engagements. The system of quality control encompasses the OIG's leadership,

emphasis on performing high-quality work, and the OIG's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an OIG's system of quality control will vary based on the OIG's circumstances. The policies and procedures should collectively address:

- Leadership responsibilities for quality within the audit organization;
- Independence, legal, and ethical requirements;
- Initiation, acceptance, and continuance of audit and attestation engagements;
- Human resources;
- Audit and attestation engagement performance, documentation, and reporting; and
- Monitoring of quality.

Each OIG must document its quality control policies and procedures and communicate those policies and procedures to its personnel. OIGs should also analyze and summarize the results of their monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. With regards to monitoring, GAGAS states that reviews of the work and the report that are performed as part of supervision are not monitoring controls when used alone. However, these types of pre-issuance reviews may be used as a part of the annual analysis and summary.

IV. External Peer Review Program

The objective of the external peer review is to determine whether, for the period under review, the reviewed OIG audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the OIG with reasonable assurance of conforming with applicable professional standards.

The reviewed OIG should document compliance with its quality control policies and procedures, and maintain such documentation for a period sufficient to enable those performing peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures.

Formal entrance and exit conferences should be held to ensure all parties understand the ground rules of the engagement, facilitate the conduct of the review, and communicate the review results.

The Inspector General Act of 1978, as amended, requires that external peer reviews be performed exclusively by an audit entity of the Federal Government, including the Government Accountability Office (GAO) or an OIG. Assignments for conducting peer reviews are made by the CIGIE Audit Committee.

GAGAS requires external peer reviews at least once every 3 years. Peer reviews generally cover 1 year. In this regard, the scope of the external review typically consists of the period

covered by the two most recent semiannual reports to the Congress, but may be expanded as deemed necessary by the review team. The same year-end (normally March 31 or September 30) should be maintained on subsequent peer reviews (which should be 3 years from the previous year-end). For example, if the most recent peer review covered the year ended March 31, 2006, the next peer review should cover the year ending March 31, 2009. The peer review report should be issued within 6 months after the end of the period under review. Extensions of the deadlines for submitting the peer review report exceeding 3 months beyond the due date must be granted by the Audit Committee and GAO.

The OIG conducting the peer review and individual review team members should be independent (as defined in GAGAS) of the reviewed OIG, its staff, and the audits and attestation engagements selected for the peer review. The OIG conducting the peer review should also ensure that the review team collectively has current knowledge of GAGAS and government auditing and sufficient knowledge of how to perform a peer review.

The “External Peer Review Guide” (Section 2) provides guidance and procedures to ensure that external peer reviews are conducted in an appropriate and consistent manner. The external peer review will culminate in a written report, to include any expanded scope areas. Significant areas of disagreement requiring technical clarification/interpretation of GAGAS may be forwarded to the CIGIE Audit Committee for comment prior to the issuance of the external peer review report.¹

Regarding review report distribution, the reviewed OIG should provide copies of the final review report to the head of the agency, Chair of the CIGIE, and Chair of the CIGIE Audit Committee. OIGs should make their most recent peer review report publicly available² -- for example, by posting the peer review report on an external web site. The reviewed OIG should also communicate the overall results and the availability of its external peer review report to appropriate oversight bodies. The review team should make available a copy of the final review report and supporting documentation to subsequent external review groups and, upon request, to GAO.

Only an OIG that receives a peer review rating of *pass* from its most recent external peer review will be allowed to perform external peer reviews of other OIGs. OIGs receiving a peer review rating of *pass with deficiencies* or *fail* may request an off-cycle peer review to demonstrate that corrective action has been taken. Furthermore, if an OIG under review receives notification at the official draft stage of the external peer review process that it will receive a peer review rating other than *pass*, and if the reviewed OIG is simultaneously performing a peer review of another OIG, the reviewed OIG should notify the CIGIE Audit Committee. Reassignment will be made as appropriate.

The Honorable Jon T. Rymer
Chair, CIGIE Audit Committee

¹ The OIGs are encouraged to consult with GAGAS subject matter experts at GAO for interpretive guidance before presenting a significant disagreement to the Audit Committee for comment.

² This requirement does not include the letter of comment.

Section 1

Guidelines for Office of Inspector General Quality Control and Assurance Programs

1. An Office of Inspector General's (OIG)'s system of quality control for its audit organization encompasses the audit organization's leadership, emphasis on performing high-quality work, and the organization's policies and procedures. The system should be designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements, including generally accepted government auditing standards, applicable Office of Management and Budget and Government Accountability Office guidance, and statutory provisions applicable to the OIG.
2. The nature, extent, and formality of an OIG's system of quality control varies based on the OIG's size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations.
3. A quality control and assurance program must be structured and implemented to ensure an objective, timely, and comprehensive appraisal of operations.
4. The same professional care should be taken with quality assurance reviews as with other OIG efforts, including adequately planning the review, documenting findings, developing supportable recommendations, and soliciting comments from the supervisor of the activity or unit reviewed.
5. OIG quality control and assurance programs should address:
 - a. Leadership responsibilities for quality in the audit organization;
 - b. Independence and legal and ethical requirements;
 - c. Initiation, acceptance, and continuance of audit and attestation engagements;
 - d. Human resources;
 - e. Audit and attestation engagement performance, documentation, and reporting; and
 - f. Monitoring of quality, which is a regular assessment of audit and attestation engagement work to provide management with reasonable assurance that the policies and procedures related to the system of quality control are appropriately designed and operating successfully. This monitoring process should evaluate:
 - Adherence to professional standards and legal requirements;
 - The design of the internal control system; and

- Whether staff is complying with quality control policies and procedures.
6. On an annual basis, the audit organization should analyze and report the results of its monitoring process, identifying any systemic issues that need repair and providing corrective actions.
 7. An external peer review team should meet the following requirements:
 - a. Review teams should be led by a team captain with sufficient expertise and authority. The team captain should ensure the proper supervision of the review team staff.
 - b. Team captains should report to an individual or a level within the reviewing OIG that will ensure independence and objectivity in the performance of reviews.
 - c. Review teams should perform a risk assessment to help determine the number and types of engagements to select.
 - d. To ensure the integrity of the data, the review team should conduct reviews with no advance notice given regarding the audits selected for review.
 - e. Review teams should obtain sufficient, appropriate evidence and perform sufficient testing to provide a reasonable basis for determining whether the reviewed OIG's audit organization is in compliance with applicable auditing standards, regulations, policies, and procedures.
 - f. Review teams should prepare documentation related to planning, conducting, and reporting for the peer review. The documentation should include evidence of supervisory review.
 - g. Review teams should prepare written results for each review and, when applicable, make recommendations for corrective actions.
 - h. Written comments for each recommendation should be obtained from the official responsible for managing the reviewed OIG's audit organization, describing the corrective actions already taken and/or target dates for prospective corrective actions.
 - i. The reviewed OIG is responsible for implementing appropriate corrective actions to external peer review recommendations.

Section 2

External Peer Review Guide

Preface

This document presents the guidance for conducting external peer reviews of the audit organization of Federal Offices of Inspector General (OIGs). This guide was developed to ensure the adequacy and consistency of the reviews in accordance with the 2009 policy statement issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Audit Committee. The guidance contained herein is not intended to supplant the review team's professional judgment as to what approach to take or what specific procedures need to be performed. The general standard for quality control and assurance in generally accepted government auditing standards (GAGAS) is the overarching criteria for conducting peer reviews. In forming opinions, peer review results should be measured against GAGAS. The Audit Committee welcomes any suggestions for further improving the external peer review program.

General Considerations

Definitions

1. The following terms are commonly used throughout the Peer Review Guide and Appendices:
 - **System of Quality Control.** An OIG audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high-quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an audit organization's system of quality control will vary based on the audit organization's circumstances. These include the audit organization's size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations.
 - **Quality Assurance Program.** A quality assurance program is an ongoing, periodic assessment of work completed on audits and attestation engagements that is performed by OIG personnel and is designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality are suitably designed and operating effectively in practice. The purpose of monitoring compliance with quality control policies and procedures is to provide an evaluation of (1) adherence to professional standards and legal and regulatory requirements, (2) whether the quality control system has been appropriately designed, and (3) whether quality control policies and procedures are operating effectively and complied with in practice.

- **External Peer Review.** An external peer review is a review of an OIG’s audit organization by another OIG audit organization that satisfies the objective specified in GAGAS.
- **Audits.** For the purpose of providing guidance on the external peer review process, the term “audits” pertains to both audit and attestation engagements performed in accordance with GAGAS.
- **Nonaudit Services.** Nonaudit services are other professional services performed by an OIG audit organization that are not performed in accordance with GAGAS. Nonaudit services generally fall into one of three categories: (1) nonaudit services that do not impair the audit organization’s independence, (2) nonaudit services that would not impair the audit organization’s independence as long as the audit organization complies with certain supplemental safeguards, and (3) nonaudit services that do impair the audit organization’s independence.
- **Independent Public Accountant (IPA) Monitoring.** These are activities by the reviewed OIG to contract for and monitor audit or attest work performed by an independent public accounting firm where the IPA served as the principal auditor. Section 4(b) of the Inspector General Act of 1978, as amended (5 U.S.C. Appendix 3) requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors such as IPAs. The act also requires OIGs to ensure that the work of non-Federal auditors adheres to GAGAS. IPA monitoring conducted by an OIG is not an audit and does not need to comply with GAGAS.

Objective of the External Peer Review Program

2. The objective of an external peer review is to determine whether, for the period under review, the reviewed OIG audit organization’s system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. The program is intended to be positive and constructive and should be carried out in that spirit.

Characteristics of the External Peer Review Team

3. The review team should meet the following criteria:
 - a. The review team should collectively have current knowledge of GAGAS and government auditing.
 - b. The OIG conducting the peer review and individual review team members should be independent (as defined in GAGAS) of the OIG being reviewed, its staff, and the audits and attestation engagements selected for the peer review.
 - c. The review team collectively should have sufficient knowledge of how to perform a peer review. Such knowledge may be obtained from on-the-job training, training

courses, or a combination of both. Having personnel on the review team with prior experience on a peer review or internal inspection team is desirable.

Professional Judgment of the External Peer Review Team

4. The review team should exercise professional judgment in all matters relating to planning, performing, and reporting the results of the external peer review. Nothing in this guidance should be construed to limit the flexibility of the review team in planning and performing the review.

External Peer Review Team – Additional Considerations

5. The number of staff assigned to the review team depends on a number of factors, including, but not limited to, the size and geographic dispersion of the reviewed OIG, and the nature and extent of its audit universe. The review team should be adequately staffed to complete the review in a timely manner.
6. The team captain should be an experienced manager with appropriate audit background. Members of the review team should be selected from one OIG, or an ad-hoc review team may be assembled, comprised of representatives from a number of OIGs.
7. Other factors that should be considered in selecting team members include the types and complexity of audits to be reviewed and any specialized skills that may be needed (e.g., information technology (IT) specialists, statisticians, auditors with financial audit experience, or auditors with experience monitoring the work of IPAs). Also, when the reviewed OIG's audit universe includes classified subject matters, or the reviewed OIG uses electronic audit documentation to support their audits, review teams should be capable of reviewing such work and plan accordingly, to include having the proper clearance to access the classified data, and training and any software needed. Because of these considerations, final decisions on the team composition may need to be deferred until after preliminary planning and pre-site procedures have been completed.

Documentation Requirements

8. Documentation should be prepared to support the work performed and the conclusions reached during the course of the review. The checklists included in this guide are available in electronic format on the IGSNet, <http://www.ignet.gov/>.
9. The documentation should be retained by the reviewing OIG at least until the subsequent external peer review of the reviewed OIG is completed. The review documentation should be subject to the same custody and physical security policies that the reviewing OIG applies to its audit documentation. These policies should include safeguards against unauthorized use or access to the documentation.

Initiation of the Review and Administrative Records

10. The reviewing OIG should forward an engagement letter to the reviewed OIG announcing the initiation of the review and requesting a formal entrance conference. The engagement letter should also contain a request that the information in paragraph 17 of this Section be provided at or before the entrance conference. Sufficient time should be accorded to the reviewed OIG to compile the information.

(Review teams typically make informal contact with the reviewed OIG's audit organization early in the process, and such contact is encouraged. Many upfront planning considerations can be addressed through these contacts.)

11. An entrance conference should be held to bring the parties together, establish the ground rules of the review, and facilitate the conduct of the review. At that time, the reviewed OIG audit organization management should brief the review team on organizational issues and work practices (e.g., roles and responsibilities of the audit divisions, the use of electronic audit documentation, etc.); the level of security clearance/access needed; and any training that may be required at the outset of the review to facilitate preparation and planning. The proposed elements of the suggested Memorandum of Understanding (MOU) should also be discussed (see paragraph 15 of this Section).
12. Adequate work space should be provided for the review team.
13. If travel is necessary to accomplish the objectives of the review, the reviewing OIG should pay its own travel expenses. If the team is made up of members of different OIGs, the team members' respective OIGs should pay their travel expenses.
14. The reviewing OIG should maintain administrative records of the staff days and calendar days taken to perform the review, as well as travel and other costs incurred. These records should be retained as part of the review documentation so that they are available to the next external review team for its planning purposes.

MOU

15. An MOU is recommended to ensure mutual agreement regarding the fundamental aspects of the review and to avoid any misunderstandings. A sample MOU is included in Section 3. The MOU is drafted by the reviewing OIG, discussed at the entrance conference, signed by both OIGs prior to the initiation of fieldwork, and issued subsequent to the entrance conference. The following topics are typically covered in the MOU:
 - a. **Scope of the Review.** See paragraph 16 of this Section.
 - b. **Staffing and Timeframe.** The MOU sets forth the planned staffing and timeframes. The review should be scheduled and conducted to ensure a report is issued within 6 months of the end of the period to be reviewed.

- c. **Nonaudit Services.** The MOU should state that the reviewed OIG will provide, in writing, a description and a listing of all nonaudit services rendered within the prior 3 years.³ If applicable, once the individual audits selected for review are made known to the reviewed OIG, it needs to inform the review team in writing of any nonaudit services that are related to the selected audits.

If the reviewed OIG performed any nonaudit services requiring supplemental safeguards as discussed in *Government Auditing Standards, July 2007 Revision (GAS)*, 3.28, the reviewed OIG should provide the review team with the documentation prepared in accordance with GAS, 3.30.

- d. **Preliminary Findings.** The MOU provides for timely interim discussion of preliminary findings including, as applicable, holding exit conferences at field offices visited. A commitment to open and ongoing communication between the parties is important to ensure that the review is conducted in an efficient manner.
- e. **Reporting Results.** The MOU establishes the guidelines for the reporting process, specifically: (1) designating the report's addressee and signer (e.g., draft issued to and from the respective Assistant IG for Audit or equivalent, and final issued to and from the respective IG); (2) providing a discussion draft report, and a formal draft report for the official response; (3) scheduling the exit conference; (4) designating a time period for a response to the draft report; and (5) issuing the final report.

Other topics may be covered, as needed or considered appropriate (e.g., points of contact, purpose of the review, objective of peer review, access to audit and administrative files, review approach, handling of sensitive information or clearances required, etc). When preparing MOUs, the parties should take care not to limit, in any way, the review team's ability to conduct the work necessary to accomplish the objectives of the review.

Planning and Performing the External Peer Review

Scope of the Review

16. The scope of the external peer review is based on the period covered by the prior external peer review. Specifically, it will cover the year-end which is 3 years from the year-end covered by the prior external peer review (e.g., if the prior peer review year-end was March 31, 2006, the subsequent peer review is to cover the year-ending March 31, 2009). The due date for the external peer review report is 6 months from the year-end covered by the peer review. In accordance with GAGAS, approval of extensions to this due date exceeding 3 months beyond the due date must be sought from the CIGIE Audit Committee

³ OIGs frequently provide technical advice to management and others based on their technical knowledge and expertise, often on an ad hoc or informal basis, and such activities do not normally impair independence or require supplemental safeguard. While it is not expected that the reviewed OIG maintain and provide a detailed listing of all instances where such advice is given, the peer review team should be informed of instances where the reviewed OIG: (1) participated in activities such as commissions, committees, task forces, panels, and focus groups on an ongoing basis and the nature of its participation (e.g., purely advisory, nonvoting, etc.) and/or (2) provided tools and methodologies to agency management and others.

and the Government Accountability Office (GAO). Typically the period under review covers 1 year, but may be expanded as deemed necessary by the review team.

GAGAS recognizes that the nature, extent, and formality of an audit organization's quality control system depends on a number of factors, such as its size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations. **Nonetheless, OIG audit organizations must have a system of quality control in place to provide reasonable assurance that the organization and its personnel comply with GAGAS and applicable legal and regulatory requirements. Internal procedures that are more stringent than GAGAS should not be applied in concluding whether the organization complies with professional standards but noncompliance with such procedures should be brought to the reviewed OIG's management for consideration.**

The scope of the external peer review should also include a review of the OIG's monitoring of audit and attest work contracted to IPAs where the IPA serves as the principal auditor. It is recognized that monitoring activities are not audits performed in accordance with GAGAS. However, audit work performed by IPAs is significant in many OIG audit organizations. Also, OIGs have responsibility under the Inspector General Act, as amended, to ensure contracted IPA audit work conforms to GAGAS. Accordingly, the CIGIE Audit Committee has determined that it is prudent to give this area appropriate coverage as part of the external peer review. That being said, findings noted in an OIG audit organization's IPA monitoring practices do not affect the opinion on the audit organization's system of quality control for performing audits and attestation engagements where the OIG serves as the principal auditor. The focus of the review on IPA monitoring activities will be on contracting and monitoring practices to ensure that contracted work conforms with professional standards. Deficiencies found with IPA monitoring activities are to be reported in the letter of comment.

Planning/Pre-Site Review Steps

17. The following steps should be performed prior to the site visit.

- a. **Audit Quality Control Policies and Procedures.** Reviewed OIGs should be requested to complete Section 1 of Appendix A, "Policies and Procedures," and provide a complete set of its policies and procedures, prior to the initiation of the review.
- b. **Semiannual Reports to Congress.** The review team should request, or obtain from the OIG's Web site, a copy of the semiannual reports to Congress that were issued during the period to be covered by the peer review. The semiannual reports provide information regarding the nature and volume of completed audit work as well as other matters that may help the review team understand the environment in which the reviewed OIG operates. The reports should also serve as a source for selecting individual engagements for review.
- c. **Other Information or Documentation.** The review team should obtain and review: the annual audit plan(s) for the period covered; a printout of the audit tracking system of the

specific information needed (e.g., audits scheduled, cancelled, terminated, or completed during the period); an organization chart; a staff roster (including series and grades); professional designations; and a continuing education summary for all staff for the most recent 2-year reporting period. If readily available, the team should obtain information regarding the staff's advanced degrees or special skills (if the information is not readily available, request this data, as needed, after the individual audits to be reviewed have been selected).

During the peer review planning phase, information should also be requested on audits terminated during the period, to determine whether the audit organization documented the results of the work to the date of termination, why the audit was terminated, and how the reason for termination was communicated to those charged with governance, appropriate officials of the audited entity, and other appropriate officials.

- d. **Prior External Peer Review.** Arrangements should be made to obtain copies of the final report and, as applicable, letter of comment and access to the review documentation for the prior external peer review. The reviewed OIG is expected to facilitate the arrangements. The reviewed OIG should also provide a written description of the corrective action taken in response to the prior external peer review to the review team.
- e. **Internal Quality Assurance Review Reports.** The review team should obtain internal quality assurance review reports issued during and subsequent to the external peer review period. As determined appropriate, the peer review team may request, and the reviewed OIG should provide, any internal quality assurance reports issued (and related internal review documentation) during the 3-year period since the year-end covered by the preceding the peer review.

Risk Assessment

18. The review team should perform a risk assessment to help determine the number and types of audits to select. In assessing risk, the review team should consider the information gathered and analyzed in paragraph 17. Based on the risk assessment, the team should select audits and attestation engagements that provide a reasonable cross-section of the GAGAS assignments conducted by the reviewed OIG.

Review Approach

19. The approach advocated by this guide is to:
 - a. Gain an understanding of the reviewed OIG's audit organization and its internal quality control system.
 - b. Evaluate the reviewed OIG's policies and procedures designed to provide reasonable assurance that GAGAS and other pertinent requirements are met. The provided checklists should be used to guide the review, but can and should be modified as needed.

- c. Interview various levels of the professional staff to assess their understanding of and compliance with relevant quality control policies and procedures.⁴ An audit staff questionnaire may be used as part of the interview process, but is not mandatory. An optional audit staff questionnaire is included in Section 3.
- d. Gain an understanding of the reviewed OIG audit organization's internal quality assurance program, evaluate its design, and assess internal quality assurance reports to determine the adequacy of the program and the degree of control provided in the OIG's overall internal quality control system.
- e. Review a sample of individual audits and attestation engagements, determining their adherence to GAGAS.
- f. Gain an understanding as to the extent the reviewed OIG uses contracted IPAs to perform audits and attestation engagements and the policies and procedures for monitoring IPA audit work.
- g. Review IPA monitoring documentation for a sample of contracted audits and attestation engagements, emphasizing the reviewed OIG's monitoring activities to ensure the IPA's adherence to professional standards.
- h. Maintain open communication to ensure understanding of the issues evaluated and to keep the reviewed OIG fully informed of potential issues as they arise.

Understanding the System of Quality Control

20. Based on a review and evaluation of policies and procedures, supplemented as necessary by an inquiry of management, the review team should complete Section 2 of Appendix A. The purpose of this analysis is to preliminarily determine and document whether, in the reviewer's opinion, the reviewed OIG's quality control policies and procedures are adequate as prescribed. As necessary, specific review procedures should be designed as needed to test compliance (to include modifying the checklists provided, if needed).

Review of the Quality Control and Assurance Program

21. The purpose of reviewing the OIG's audit quality control and assurance program is to determine whether the program is adequately designed and implemented. The PCIE "Silver Book" provides a detailed framework as to how this critical quality control system feature should be organized and carried out.

Selection of Offices and Individual Audits and Attestation Engagements

22. In selecting offices and reports for review, the review team should consider the following:
 - a. The assignments listed in the audit tracking system.

⁴ GAS, 3.57, requires interviews of professional staff as part of the external peer review scope.

- b. Audits and attestation engagements appearing or described in the reviewed OIG's semiannual reports to Congress.
- c. The degree of centralized controls in place.
- d. The number of OIG offices.
- e. Findings and comments from the prior external peer review report.
- f. Audits and attestation engagements which relate to nonaudit services.

A sufficient number of audits and attestation engagements should be selected to enable the review team to reach a defensible conclusion as to whether the system of quality control of the reviewed OIG's audit organization was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conforming with professional standards. The sample should include at least one financial audit, if any were performed by OIG staff, and at least one audit internally reviewed under the OIG's quality control and assurance program.

Additionally, to evaluate the reviewed OIG's IPA monitoring activities, the review team should select a representative cross-section of audits and attestation engagements contracted to IPAs where the IPA served as the principal auditor. If the reviewed OIG contracted the financial audit for its agency, that audit should be included in the sample.

- 23.** The review team will apply a "no advance notice" policy in advising the reviewed OIG of the audits selected for review. The review team should advise the reviewed OIG of the specific audits selected for examination only when it is ready to initiate the review of the individual audits and attestation engagements. The reviewed OIG should provide immediate access to all audit documentation, electronic and manual, requested by the review team. When the review team plans to conduct field visits (regional offices, sub-offices, etc.), the field offices are to be advised of the specific audits selected for review upon the review team's arrival.

If the reviewed OIG cannot provide the requested audit files, whether electronic or manual, within 2 working days, it should provide a written statement signed by the head of the reviewed OIG's audit organization with: (1) an explanation of why the audit documentation could not be provided timely; (2) an assertion that the audit documentation, including evidence of supervisory review, was prepared in accordance with GAGAS;⁵ and (3) if such an assertion cannot be made, the reason why. The review team should take these circumstances into consideration when assessing whether the audit documentation was prepared in accordance with GAGAS.

⁵ GAS requires auditors to document evidence of supervisory review, before the audit or engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the audit or engagement report (see GAS 4.20, 6.22c, and 7.80c).

Nature and Extent of Tests

24. The nature and extent of tests employed throughout the review should be sufficiently comprehensive to provide a reasonable basis for concluding whether the reviewed OIG's quality control system was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conformance with professional standards and applicable legal and regulatory requirements. The extent of work performed should be expanded as necessary to achieve that level of assurance.

Review of Individual Audits and Attestation Engagements

25. The purpose of reviewing individual audits and attestation engagements is to determine whether established policies, procedures, and applicable professional standards were followed. Appendix C contains a checklist for the review of individual financial audits performed by the reviewed OIG, Appendix D contains a checklist for the review of individual attestation engagements, and Appendix E contains a checklist for the review of individual performance audits. These checklists incorporate the requirements of the July 2007 revision to GAGAS and it is contemplated that most audits and attestation engagements selected for review will have been performed in accordance with the 2007 revision. Selected audits and engagement that were done in accordance with the prior version of GAGAS should be judged against those prior standards.
26. The review of individual audits should include a review of the auditors' report and the audit documentation, and discussions with the auditors who performed the work.
27. The review of individual audits should be conducted onsite (at the office which performed the audit). However, depending on the extent that the reviewed OIG maintains audit documentation electronically, the peer review team may perform the reviews remotely and make site visits as necessary to discuss any matters noted with the documentation and report.
28. For audits and attestation engagements performed by an IPA as the principal auditor under contract with the reviewed OIG, the peer review should determine whether the OIG has issued and implemented quality control policies and procedures for ensuring that the IPA's work meets professional standards and contractual requirements. Appendix F contains a checklist for reviewing the reviewed OIG's monitoring of these engagements. **It is important to note that the scope of the evaluation of the reviewed OIG's IPA monitoring activities does not contemplate visiting the IPA or reviewing the IPA's workpapers.**

Identifying Matters, Findings, Deficiencies, and Significant Deficiencies

29. In understanding the audit organization's system of quality control, the review team may note that the system is not designed appropriately. Similarly, compliance testing may uncover that the system is not being complied with appropriately or may identify a design weakness that was not identified during the planning of the peer review. To help the review team with potential issues, the definitions in the next paragraph may be used to assist in classifying the conditions noted.

30. Determining the relative importance of matters noted during the peer review, individually or combined with others, requires professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow are intended to assist in aggregating and evaluating the peer review results, concluding on them, and determining the nature of the peer review report to issue:

- a. A review team notes a *matter* as a result of the evaluation of the design of the reviewed OIG's system of quality control and/or tests of compliance with it. Tests of compliance include inspection, inquiry, and observation performed by reviewing audits and attestation engagements and testing other aspects of the audit organization's system of quality control. Matters are typically one or more "No" answers to questions in peer review checklists that the review team concludes warrant further consideration in the evaluation of the audit organization's system of quality control.
- b. A *finding* is one or more related matters that result from a condition in the audit organization's system of quality control or compliance with it, such that there is more than a remote possibility that the audit organization would not perform and/or report in conformity with applicable professional standards. A review team will conclude whether one or more findings are a *deficiency* or *significant deficiency* or do not rise to either level. If the review team concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency should be communicated in a letter of comment.
- c. A *deficiency* is one or more findings that the review team has concluded, due to the nature, causes, pattern, or pervasiveness, including the relative importance of the finding to the audit organization's system of quality control taken as a whole, could create a situation in which the reviewed OIG would not have reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects. It is not a significant deficiency if the review team has concluded that except for the deficiency or deficiencies, the audit organization has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer review rating of *pass with deficiencies*.
- d. A *significant deficiency* is one or more deficiencies that the review team has concluded results from a condition in the reviewed OIG's system of quality control or compliance with it, such that the audit organization's system of quality control taken as a whole does not provide the reviewed OIG with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer rating of *fail*.

31. Depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated and, after considering the nature, causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole, may or may not get elevated to a deficiency. A deficiency may or may not be further elevated to a significant deficiency.

- 32.** After completing a checklist for each audit and attestation engagement reviewed, findings should be developed and conclusions formulated. The review team should:
- a. Summarize the checklists' results.
 - b. Identify findings (noncompliance with GAGAS and/or the reviewed OIG's quality control policies and procedures) in the individual engagements reviewed which could impact the external peer review report's opinion. Guidance at paragraph 30 is helpful in identifying the significance of findings. It is important to note that GAGAS represents the overarching criteria. If, for example, the reviewed OIG's policies and procedures encompass more stringent requirements than those prescribed in GAGAS and a lack of compliance is noted with those incremental requirements, it would not constitute a deficiency or significant deficiency and therefore should not impact the report's opinion. Findings that do not rise to the level of a deficiency or significant deficiency, however, should be included in a letter of comment.
 - c. Identify any other matters that warrant disclosure to the reviewed OIG audit organization's management, including any deficiencies noted in its IPA monitoring activities.
 - d. Assess the overall adequacy of the implementation of the OIG's internal quality control system.
- 33.** After all evidence has been compiled, the adequacy of the scope of the external peer review should be reassessed and expanded upon, if necessary, to ensure that sufficient work is done and documented to support the review team's conclusions, findings, and recommendations.

Reporting Review Results

General

- 34.** A written report should be issued at the completion of the review. The external peer review report should contain the review team's opinion as to whether the system of quality control of the reviewed OIG's audit and/or attestation engagement practices was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conformance with applicable professional standards. As applicable, the report should also describe the scope of work related to the reviewed OIG's IPA monitoring activities where the IPA was contracted to perform audits or attestation engagements as the principal auditor. In this regard, the report should state that the purpose of the review is not to express an opinion on the IPA monitoring activities and that no such opinion is expressed.
- 35.** The process for reporting should be discussed and subsequently agreed to between the OIGs before the start of the review. The process should provide for the reviewed OIG to comment on the draft report and, if applicable, the letter of comment, prior to their final issuance. The

review team should consider the comments before finalizing the documents, and should include the comments as part of the final report.

Concluding on the Type of Report to Issue

36. Peer Review Ratings. Three types of ratings may be rendered: *pass*, *pass with deficiencies*, and *fail*.⁶ The ratings must be supported by strong and convincing evidence. In forming its rating, the review team should consider the nature and extent of the evidence obtained taken as a whole. Foremost, however, determining what rating should be rendered is a matter of professional judgment.

- a. **Pass.** A report with a peer review of *pass* should be issued when the review team concludes that the system of quality control for the audit organization has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies or significant deficiencies. Findings and recommendations, if any, should be included in a separate letter of comment. In the event of a scope limitation, a report with a peer review rating of *pass (with a scope limitation)* is issued. An example of a possible scope limitation would be the loss of audit documentation for a significant number of the reviewed OIG's audits completed during the review period caused by a natural disaster.
- b. **Pass With Deficiencies.** A report with a peer review rating of *pass with deficiencies* should be issued when the review team concludes that the system of quality control for the audit organization has been suitably designed and complied with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report. These deficiencies are conditions related to the audit organization's design of and compliance with its system of quality control that could create a situation in which the reviewed OIG would have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects due to the nature, causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole. In the event of a scope limitation, a report with a peer review rating of *pass with deficiencies (with a scope limitation)* is issued.
- c. **Fail.** A report with a peer review rating of *fail* should be issued when the review team has identified significant deficiencies and concludes that the system of quality control for the audit organization is not suitably designed to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the audit organization has not complied with its system of quality control to provide the reviewed OIG with reasonable assurance of

⁶ *Pass* is generally synonymous with what was referred to in past guides as an unmodified opinion. *Pass with deficiencies* is generally synonymous with what was referred to in past guides as a modified opinion. *Fail* is generally synonymous with what was referred to in past guides as an adverse opinion.

performing and reporting in conformity with applicable professional standards in all material respects. In the event of a scope limitation, a report with a peer review rating of *fail (with a scope limitation)* is issued.

The formulation of the type of report to be issued should be based upon the overall conclusion drawn from the evaluation of the design of the reviewed OIG's internal quality control system and the findings disclosed when determining the extent of compliance with the system.

The significance of disclosed findings in the audit and attestation engagement reports reviewed should be determined by the extent to which the reports could not be relied upon due to the failure of the reports and underlying work, including documentation, to adhere to GAGAS. Reliability of reports can be impaired if one of the following condition or combination of conditions exist:

- Evidence presented is untrue and findings are not correctly portrayed.
- Findings and conclusions are not supported by sufficient, appropriate evidence.
- Evidence included in reports does not demonstrate the correctness and reasonableness of the matters reported.
- The report does not accurately describe the audit or attestation engagement scope and methodology and findings, and conclusions are not presented in a manner consistent with the scope of work.
- The report contains significant errors in logic and reasoning.

The pervasiveness (extent identified in multiple audits issued by multiple organizational units) of the deficiencies should also be considered. A single, isolated (nonsystemic) deficiency would be insufficient to support a report with a peer review rating of *pass with deficiencies* or *fail* unless extraordinary circumstances prevail (e.g., the magnitude of the deficiency significantly or irretrievably caused a lack of organizational credibility).

If nonconformity with GAGAS is identified, the extent of the lack of adherence should be considered, given the flexibility afforded by the standards. The field work standard related to supervision, for example, requires that "reviews of audit work should be documented." As GAGAS is generally not prescriptive, it understandably contains limited specificity as to what actions must be evidenced to be considered "proper supervision." GAGAS provides for flexibility in complying with the standard, contingent upon the circumstances of the audit, to include "the size of the audit organization, the significance of the work, and the experience of the staff." Reasonableness and judgment must be employed in assessing adherence with GAGAS. It is incumbent upon the review team to support assertions that the reviewed OIG has not met GAGAS by citing the specific criteria (GAGAS provision) where the noncompliance exists and providing the basis for the conclusion.

In the absence of identifying significant and pervasive deficiencies in the audits and attestation engagements reviewed, design deficiencies alone would not ordinarily be sufficient to result in a rating of *pass with deficiencies* or *fail*. A rating of *pass with*

deficiencies or fail would require extraordinary circumstances. If, however, reports are identified which are found to be unreliable, the causes of the deficiencies need to be examined, particularly as to whether design deficiencies were the sole or contributing factor. Causes attributable to design flaws in the system generally are of greater concerns in that the system should contain the necessary methods and measures to preclude, or timely detect, lack of adherence with GAGAS. If the design appears adequate as prescribed but the deficiencies noted in reviewed reports were due to lack of compliance with the system, the design itself may need to be strengthened to increase compliance.

Reports on External Peer Reviews

37. Report Content. The draft and final written report should:

- a. State at the top of the report the title “System Review Report.”⁷
- b. State that the system of quality control for the audit function of the reviewed OIG was reviewed and include the year-end covered by the peer review.
- c. State that the peer review was conducted in accordance with *Government Auditing Standards*⁸ and guidelines established by the Council of the Inspectors General on Integrity and Efficiency.
- d. State that the reviewed OIG is responsible for designing a system of quality control and complying with it to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
- e. State that the reviewer’s responsibility is to express an opinion on the design of the system of quality control and the reviewed OIG’s compliance therewith based on the review.
- f. State that the nature, objectives, scope, limitations of, and procedures performed in a system review are described in the standards.
- g. Describe the peer review process for system reviews, including the process for audit selection.
- h. Describe the limitations of a system of quality control.
- i. Include a reference to a separate letter of comment, if such a letter is issued. The reference to the letter of comment will indicate that the other matters or findings discussed therein do not affect the overall opinion.

⁷ A System Review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review the system of quality control for the reviewed OIG has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

⁸ GAS, 3.57-3.60, prescribe the scope of a peer review and the reporting requirements at the completion of a peer review.

- j. As applicable, describe the scope of the work related to the audit organization's IPA monitoring activities where the IPA was engaged as the principal auditor. In this regard, the report will also state that the purpose of the review is not to express an opinion on the IPA monitoring activities and that no such opinion is expressed. The report will also reference whether there are any matters noted with IPA monitoring that are included in the letter of comment.
- k. Include an enclosure that describes the external peer review scope and methodology, including a list of the audit reports reviewed and the OIG offices visited. The enclosure should also discuss any limitations and expansions of the scope, if applicable.
- l. Identify the different peer review ratings that the reviewed OIG could receive.
- m. In a report with a peer review rating of *pass*:
- Express an opinion that the system of quality control for the audit function of the reviewed OIG in effect for the year ended has been suitably designed and complied with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that therefore the reviewed OIG has received a peer review rating of *pass*.
 - In the event of a scope limitation, include an additional paragraph before the opinion paragraph that describes the nature of the scope limitation.
- n. In a report with a peer review rating of *pass with deficiencies*:
- Express an opinion that, except for the deficiencies described, the system of quality control for the audit function of the reviewed OIG in effect for the year ended has been suitably designed and complied with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that therefore the reviewed OIG has received a peer review rating of *pass with deficiencies*.
 - In the event of a scope limitation, include an additional paragraph before the deficiencies that describes the nature of the scope limitation.
- o. In a report with a peer review rating of *fail*:
- Express an opinion that as a result of the significant deficiencies described, the system of quality control for the audit function of the reviewed OIG in effect for the year ended was not suitably designed or complied with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that therefore the reviewed OIG has received a peer review rating of fail.

- In the event of a scope limitation, include an additional paragraph before the significant deficiencies that describes the nature of the scope limitation.
- p. Include, for reports with a peer review rating of *pass with deficiencies* or *fail*, systematically written descriptions of the deficiencies or significant deficiencies and the review team's recommendations (each of these should be numbered).
- q. Identify, any deficiencies or significant deficiencies included in the report with a peer review rating of *pass with deficiencies* or *fail*, that were also made in the report, including the letter of comment, issued on the reviewed OIG's previous peer review. This should be determined based on the underlying systemic cause of the deficiencies or significant deficiencies.
- r. Include in final reports, with a peer review rating of *pass with deficiencies* or *fail*, an enclosure with the reviewed OIG's official comments to the draft peer review report.
- s. Include in the separate letter of comment if one is issued, an enclosure with the reviewed OIG's official response to any findings and recommendations discussed in the letter of comment.

Note: Reference to plural could also apply to a singular item within these guidelines. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.

Section 3 contains illustrative reports with standardized report language, and examples of findings and recommendations.

Letter of Comment

38. A letter of comment should be issued in connection with the external peer review report if the review team believes that findings resulted in conditions being created in which there was more than a remote possibility that the reviewed OIG would not conform with professional standards, but the findings were not sufficiently significant to affect the opinion. The letter should also include any findings noted with the reviewed OIG's IPA monitoring. The letter should provide reasonable detailed descriptions of the findings and recommendations to enable the reviewed OIG to take appropriate actions. Written comments should be obtained from the reviewed OIG on these findings and recommendations and included as part of the letter of comment.

Agency Response

39. Views of Responsible Officials. To ensure the objectivity, accuracy, and completeness of the findings, the review team should obtain the views of responsible officials of the reviewed OIG. When deficiencies are found during the course of the review, the team should discuss the issues with senior audit management and staff, or the responsible official(s) designated by the reviewed OIG. All preliminary draft findings and conclusions must be presented during the review to the official(s) designated by the reviewed OIG to avoid any misunderstandings

and to help ensure that all material facts are considered before a draft report is prepared. These disclosures may be conveyed informally, but should be in writing, to facilitate agreement regarding the conditions noted. Upon issuance of the discussion draft report, an exit conference should be held, modifications made to the report as necessary, and then a formal draft report conveyed with a request for written comments. The final report should be revised, or the response rebutted as necessary, throughout the text. The entire written reply should be included as part of the final report.

Report Distribution and Followup

- 40.** The reviewed OIG should communicate the overall results and the availability of the external peer review report to its appropriate oversight bodies. The reviewed OIG should also provide copies of the final report to the head of its agency, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee. The reviewed OIG should make its most recent peer review report publicly available; for example, by posting the peer review report on its website. This requirement does not include the letter of comment.
- 41.** The reviewed OIG is responsible for implementing recommendations in the report. Followup on implemented recommendations should also occur during the reviewed OIG's next external peer review.

Section 3

Illustrative and Optional Material

Illustrative Memorandum of Understanding:

EXTERNAL PEER REVIEW MEMORANDUM OF UNDERSTANDING BETWEEN THE INSPECTORS GENERAL FOR (AGENCY NAME) AND (AGENCY NAME)

Purpose

The purpose of this Memorandum of Understanding (MOU) is to ensure there is a mutual understanding between the reviewing Office of Inspector General (OIG) (insert name of agency) and the reviewed OIG (insert name of agency) regarding the fundamental aspects of the external peer review of the reviewed OIG's audit organization. The parties listed in the MOU entered into this agreement pursuant to the authority of the Inspector General Act of 1978, as amended.

Agency Points of Contact

(list contacts for reviewing OIG)

(list contacts for the reviewed OIG)

Staffing of (Name of Agency) OIG Review Team

The review team captain is (name and title). The team members will collectively have sufficient knowledge to perform the peer review. To the extent feasible, the team includes personnel with prior experience on a peer review or internal inspection team. The review team captain is responsible for the proper supervision of the review team.

Objective

The objective of this external peer review is to determine whether, for the period under review, the reviewed OIG audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide it with reasonable assurance of conformance with applicable professional standards. (As applicable, the peer review will also determine whether controls over monitoring of contracted audits performed by Independent Public Accountants (IPAs) where the IPA serves as the principal auditor are suitably designed and complied with.)

Review Approach

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*

(Guide), dated March 2009, will be used in the conduct of the review. As set forth in the Guide, the approach to the review will be to:

- Gain an understanding of the reviewed OIG's audit organization and its system of quality control.
- Evaluate the reviewed OIG's policies and procedures designed to provide reasonable assurance that generally accepted government auditing standards (GAGAS) and other pertinent requirements are met.
- Interview various levels of the reviewed OIG's professional staff to assess their understanding of and compliance with relevant quality control policies and procedures.
- Gain an understanding of the reviewed OIG's internal quality control and assurance program, and review selected internal reports.
- Using the knowledge obtained from the preceding steps, assess review risk and select the office(s) and audits to be reviewed and the nature and extent of tests to perform.
- Review a sample of individual audits and attestation engagements, determining their adherence to GAGAS.
- Gain an understanding as to the extent the reviewed OIG uses contracted IPAs to perform audits and attestation engagements as the principal auditor and the policies and procedures for monitoring of IPA work.
- Review the reviewed OIG's IPA monitoring documentation for a sample of contracted audits and attestation engagements, emphasizing the reviewed OIG's monitoring activities to ensure the IPA's adherence to professional standards.
- Review other documents necessary for assessing compliance with standards; for example, independence documentation, continuing professional education records, and relevant human resource files.
- Maintain open communication with the reviewed OIG to ensure an understanding of the issues evaluated and to keep the reviewed OIG fully informed of potential issues as they arise.

As indicated above, the office(s) selected for review and the nature and extent of testing will depend largely on the assessment of review risk. The review team will sample field offices as well as headquarters audit and internal quality assessment activities. The review team will also sample the audits it believes are necessary to meet the review objectives. During the review, the review team will exercise professional judgment in all matters relating to planning, performing, and reporting the results of the external peer review.

Scope of the External Peer Review

The scope of the external peer review will cover the elements of the reviewed OIG audit organization's system of quality control that are designed to provide reasonable assurance that audits and attestation engagements conducted by the office, or for which it directly contracts, are carried out in accordance with GAGAS. The review will include audit and attestation reports issued during the 1-year period that ends 3 years after the year-end of the reviewed OIG's prior

external peer review. The review team may review other audits and attestation agreements as it deems necessary.

Reviewed OIG Nonaudit Services

The reviewed OIG shall provide, in writing, a description and a listing of all nonaudit services rendered within the prior 3 years related to individual audits selected for review during the current peer review. The reviewed OIG shall also provide any related audit documentation required as independence safeguards by the July 2007 revision of *Government Auditing Standards*, 3.30.

Administration

The reviewed OIG shall designate an individual to facilitate administrative support and will provide the review team with the appropriate office space, desks, telephone service, and access to copying facilities. The review team shall have access to all reviewed OIG's personnel. The review team shall be provided access to all internal quality assessment documents, audit and attest documentation, operational manuals, and other files of the reviewed organization deemed necessary to conduct the external peer review.

Time Estimates for External Review

The following represents the review team's estimated timeline for its review:

- Preliminary work to be completed, May 2009.
- Entrance conference, May 2009.
- Fieldwork to be completed, July 2009.
- Discussion draft report to reviewed OIG's Assistant Inspector General for Audit (AIGA), July 2009.
- Exit conference and submission of any unofficial comments, August 2009.
- Draft report to reviewed OIG's AIGA, August 2009.
- Formal written response from the reviewed OIG's AIGA, September 2009.
- Final report issued to Inspector General for the reviewed OIG, September 2009.

Preliminary Findings

There will be timely interim discussions of preliminary findings with the goal of reaching agreement on each potential issue at the earliest point in the review process.

Exit Conference

An exit conference will be held at each site visited by the review team. The primary purpose of these conferences is to verify facts, since an overall opinion of the reviewed OIG's audit organization cannot be expressed until completion of review work. At the completion of the

review, the review team will hold an exit conference. The purpose of the exit conference is to discuss the results of the peer review and the opinion to be expressed and any areas of noncompliance.

Reporting

The reviewing OIG's AIGA will issue a discussion draft report to the reviewed OIG's AIGA rendering a preliminary opinion on the system of quality control. A separate letter of comment will also be provided if warranted. The reviewing OIG will then arrange and hold an exit conference. The reviewed OIG will provide unofficial comments on the discussion draft at the exit conference. The reviewing OIG's AIGA will issue an official draft report to the reviewed OIG's AIGA. The reviewed OIG will provide its written comments within 30 days after the official draft report is issued. A final written report will be signed by the reviewing Inspector General and issued to the (Agency Name) Inspector General. The final written report will be prepared in accordance with the CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. The reviewed OIG will be responsible for distributing the report in accordance with GAGAS and the CIGIE Guide. The reviewing OIG will refer any third party requests for the report to the reviewed OIG.

Disposition of Review Documentation

The review team will prepare appropriate documentation to support the work performed and the results of the review. The reviewing OIG shall keep this documentation until a subsequent external peer review is performed of the reviewed OIG. In no instance will the documentation be released or disseminated to a requestor without advance notice to, and the approval as appropriate of, the reviewed OIG. This includes, but is not limited to, requests under the Freedom of Information Act, discovery demands, and requests by oversight bodies. The reviewed OIG shall have access to the review team's documentation during the comment period and after the issuance of the final report.

The undersigned have reviewed this MOU and are in agreement with the conditions contained herein.

Name _____ Date _____
Inspector General
(Agency Name)

Name _____ Date _____
Inspector General
(Agency Name)

Optional Audit Staff Questionnaire:

Generally accepted government auditing standards (GAGAS) state that the peer review team should include, as an element in the scope of the peer review, interviews with a selection of the reviewed audit organization's professional staff at various levels to assess their understanding of and compliance with relevant quality control policies and procedures. The following **optional** audit staff questionnaire is included for illustrative purposes only. Peer review teams may choose not to use a questionnaire. If a questionnaire is used, the review team may use some or all of the questions in this sample questionnaire or develop their own set of questions.

Purpose of Optional Questionnaire

The following audit staff questionnaire is designed to determine whether the reviewed Office of Inspector General's (OIG's) quality control and assurance policies and procedures related to audits and attestation engagements have been communicated to its professional staff. It also asks staff members a number of questions about the OIG's adherence to those policies and procedures, based on their own experiences. Please be advised that the questions are directed to audit and attest work performed by the reviewed OIG, and not the monitoring of audit work contracted to Independent Public Accountants (IPA) where the IPA serves as the principal auditor.

Negative responses to this questionnaire should not be viewed in isolation. A small number of them may represent an isolated occurrence, a lack of knowledge or understanding by a staff member, or a personality conflict with other staff members or supervisors. On the other hand, a significant number of responses indicating that staff was not informed of some policies and procedures, or that during the audits in which they participated some important aspects of these policies and procedures were not adhered to, may indicate a potential weakness in the OIG's system of quality control or its communication efforts. In such cases, the review team should explore the potential problem areas in greater detail during the peer review.

The questionnaire results will be used by the peer review team, along with evidence gathered during its review of the OIG's quality control and assurance policies and procedures, and a sample of audits and attestation engagements, to help assess compliance with those quality control and assurance policies and procedures and with GAGAS.

External Peer Review — Optional Audit Staff Questionnaire

PART B Questions About Your Knowledge and Experiences

Please check the response that best describes your answer. **Note that Yes = yes or always; Mostly = most of the time or mostly; Some = sometimes or somewhat; No = no or never; No Opinion = no knowledge or experience, or not sure.**

	Yes	Mostly	Some	No	No Opinion
1. Independence					
1.1 Have your OIG’s policies and procedures relating to auditor independence been explained to you?	_____	_____	_____	_____	_____
1.2 If questions have arisen about independence during any audits or attestation engagements in which you have participated, have they been promptly resolved? (If no independence questions have arisen to your knowledge, please answer “No Opinion.”)	_____	_____	_____	_____	_____
1.3 To your knowledge, has your office performed any nonaudit services that could impact the OIG’s independence for audits performed by your office?	_____	_____	_____	_____	_____
1.4 To your knowledge, has your OIG been free to do the following without improper or unreasonable external interference during the audits or attestation engagements in which you have participated (if you check Mostly, Some, or No, please elaborate in the comments section):	_____	_____	_____	_____	_____
a. Select and assign staff?	_____	_____	_____	_____	_____

	Yes	Mostly	Some	No	No Opinion
b. Determine the scope of audits?	_____	_____	_____	_____	_____
c. Choose and apply audit procedures?	_____	_____	_____	_____	_____
d. Select activities to be examined?	_____	_____	_____	_____	_____
e. Complete the audit assignments without unreasonable time restrictions?	_____	_____	_____	_____	_____
f. Report audit findings and conclusions?	_____	_____	_____	_____	_____
g. Distribute audit reports to appropriate officials?	_____	_____	_____	_____	_____

Comments:

	Yes	Mostly	Some	No	No Opinion
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2. Professional Judgment

2.1 Have you been informed of your OIG’s policies and procedures in the following areas for conducting audit and attestation work (if you check “No”, please elaborate in the comments section):

a. Adherence to generally accepted government auditing standards?

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b. Maintaining professional skepticism, objectivity, and credibility?

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c. Assigning competent audit staff?

--	--	--	--	--	--

d. Defining the scope of work, and reporting the results of the work?

--	--	--	--	--	--

2.2 In your opinion, have the audits or attestation engagements in which you participated been planned, conducted, and reported with professional judgment? (If you do not check Yes, please elaborate in the comments section).

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Comments:

	Yes	Mostly	Some	No	No Opinion
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3. Competence

3.1 In your opinion, has the staff assigned to the audits or attestation engagements in which you have participated collectively had the skills and knowledge they needed to conduct those audits or engagements?

_____	_____	_____	_____	_____
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3.2 Have you been informed of your OIG’s policies and procedures regarding the continuing education and training requirements that affect you?

_____	_____	_____	_____	_____
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Comments:

	Yes	Mostly	Some	No	No Opinion
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4. System of Quality Control

4.1 Have your OIG’s quality control policies and procedures:

a. Been communicated so that you understand the system of quality control system and any specific procedures that apply to you?

_____	_____	_____	_____	_____
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b. Been designed, in your opinion, to provide reasonable assurance that your OIG and its personnel comply with professional standards and applicable legal and regulatory requirements? (If you check Mostly, Some, or No, please elaborate in the Comments section).

_____	_____	_____	_____	_____
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c. To your knowledge, been followed during the audits or attestation engagements in which you’ve participated? (If you check Mostly, Some, or No, please elaborate in the comments section).

_____	_____	_____	_____	_____
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Comments:

	Yes	Mostly	Some	No	No Opinion
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5. Supervision

5.1 For audits or attestation engagements in which you have participated, to your knowledge, have supervisors or those designated to supervise auditors generally done the following:

- a. Provided sufficient guidance and direction to staff assigned to address the audit or attestation engagement objective(s) and follow applicable standards?
- b. Stayed informed about significant problems encountered?
- c. Reviewed the work performed? In this regard, did supervisors review the work performed that supports findings, conclusions, and recommendations contained in audit or attestation reports before the reports were issued? (If you check Mostly, Some, or No, please elaborate in the comments section.)

Comments:

	Yes	Mostly	Some	No	No Opinion
6. Planning	_____	_____	_____	_____	_____
6.1 Have you been informed of your OIG’s office policies and procedures for planning audits or attestation engagements?	_____	_____	_____	_____	_____
6.2 For financial audits - Did the planning for the financial audits in which you participated consider GAGAS standards that are in addition to the requirements contained in AICPA standards related to the following items (please skip this question if you did not participate on financial audits):	_____	_____	_____	_____	_____
a. Auditor communication during planning?	_____	_____	_____	_____	_____
b. Previous audits and attestation engagements?	_____	_____	_____	_____	_____
c. Detecting material misstatements resulting from violations of provisions of contracts or grant agreements, or from abuse?	_____	_____	_____	_____	_____
6.3 For financial audits - Did the planning for the financial audits in which you participated also consider, as applicable, the following (please skip this question if you did not participate on financial audits):	_____	_____	_____	_____	_____

	Yes	Mostly	Some	No	No Opinion
a. Materiality in the context of the public accountability of government entities and entities receiving government funding, various legal and regulatory requirements, and the visibility and sensitivity of government programs?	_____	_____	_____	_____	_____
b. Fraud and illegal acts?	_____	_____	_____	_____	_____
c. Ongoing investigations or legal proceedings?	_____	_____	_____	_____	_____
6.4 For attestation engagements - Did the planning for the attestation engagements in which you participated consider GAGAS standards that are in addition to the requirements contained in AICPA standards related to the following items (please skip this question if you did not participate on attestation engagements):					
a. Auditor communication during planning?	_____	_____	_____	_____	_____
b. Previous audits and attestation engagements?	_____	_____	_____	_____	_____
c. Internal control?	_____	_____	_____	_____	_____
d. Fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that could have a material effect on the subject matter of the attestation engagements?	_____	_____	_____	_____	_____

	Yes	Mostly	Some	No	No Opinion
6.5 For performance audits - To your knowledge, did the planning for the audits in which you have participated assess audit risk and significance within the context of the audit objectives by gaining an understanding of the following (please skip this question if you did not participate on performance audits):					
a. The nature and profile of the program and the needs of potential users of the audit report?					
b. Internal control as it relates to the specific objectives and scope of the audit?					
c. Information systems controls for purposes of assessing audit risk and planning the audit within the context of the audit objectives?					
d. Legal and regulatory requirements, contract provisions or grant agreements, potential fraud, or abuse that are significant within the context of the audit objectives?					
e. The results of previous audits and attestation engagements that directly related to the current audit objectives?					
6.6 For performance audits - To your knowledge, did the planning for the audits in which you have participated (please skip this question if your did not participate on performance audits):					

	Yes	Mostly	Some	No	No Opinion
a. Identify the potential criteria needed to evaluate matters subject to audit?	_____	_____	_____	_____	_____
b. Identify sources of audit evidence and determine the amount and type of evidence needed given audit risk and significance?	_____	_____	_____	_____	_____
c. Evaluate whether to use the work of other auditors and experts to address some of the audit objectives?	_____	_____	_____	_____	_____
d. Provide for the assignment of sufficient staff and specialists with adequate collective professional competence and the identification of other resources needed to perform the audit?	_____	_____	_____	_____	_____
e. Provide for communication about planning and performance of the audit to management officials, those charged with governance, and others as applicable?	_____	_____	_____	_____	_____
f. Include the preparation of a written audit plan?	_____	_____	_____	_____	_____

Comments

	Yes	Mostly	Some	No	No Opinion
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7. Detecting Violations of Legal and Regulatory Requirements, Provisions of Contract or Grant Agreements, Fraud, and Abuse

7.1 Have you been informed of your
OIG’s policies and procedures for
identifying and testing compliance
with legal and regulatory provisions
that are significant to an audit’s or
attestation engagement’s scope and
objectives?

_____	_____	_____	_____	_____
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7.2 Have you been advised about the
following:

_____	_____	_____	_____	_____
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a. When to consult with legal
counsel, if questions arise
concerning interpretations of
laws and regulations?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

b. To be alert, during audits or
attestation engagements, to the
possibility that noncompliance;
improper or illegal acts,
including fraud; and abuse may
have occurred?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

7.3 If you found indications of
suspected illegal acts, including
fraud, or abuse during an audit or
attestation engagement, would you
know how to deal with the situation
according to your OIG’s policies
and procedures, or where to find
that information?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

Comments:

	Yes	Mostly	Some	No	No Opinion
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8. Reviewing Internal Control

8.1 Have you been informed of your
OIG’s policies and procedures for:

- a. Obtaining an understanding of the internal control that is significant within the context of the audit objectives?
- b. For internal control that is significant, assessing whether internal control has been properly designed and implemented?
- c. Determining when it is necessary to and how to evaluate information systems controls?

8.2 Have you been informed of your
OIG’s policies and procedures for
communicating internal control
weaknesses when they are found
during an audit or attestation
engagement?

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Comments:

	Yes	Mostly	Some	No	No Opinion
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9. Evidence and Audit Documentation

9.1 Have you been informed of your
OIG’s policies and procedures
regarding the safe custody and
retention of audit documentation,
including audit documentation that
may contain classified information
or sensitive information such as
personally identifiable information?

_____	_____	_____	_____	_____
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9.2 Has your OIG provided you with
guidance as to what constitutes
sufficient, appropriate evidence to
support findings and conclusions?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

9.3 In your opinion, has your OIG
provided you with adequate
guidance on how to evaluate the
effectiveness of significant
information systems controls?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

9.4 Have you been informed of your
OIG’s policies and procedures
regarding providing access to audit
documentation to others?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

9.5 Have you been informed of your
OIG’s policies and procedures for
testing the reliability of data,
including computer-processed data?

_____	_____	_____	_____	_____
-------	-------	-------	-------	-------

	Yes	Mostly	Some	No	No Opinion
9.6 In your opinion, has the evidence obtained during the audits or attestation engagements in which you have participated provided a reasonable basis for the judgments, findings, and conclusions in those audits or attestation engagements?	_____	_____	_____	_____	_____

Comments:

	Yes	Mostly	Some	No	No Opinion
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10. Reporting Audit Results

10.1 Have your received guidance about the preparations, format, content, timeliness and distribution of audit or attestation engagement reports (to the extent they relate to your responsibilities)?

_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Comments:

Other Comments (If you want to discuss an issue with the external peer team, indicate the issue(s) you want to discuss below.

Illustrative Reports:

(1) Report with a Peer Review Rating of *Pass*

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. The engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit organization. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of the (reviewed OIG) that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, has been suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. (Reviewed OIG) has received a peer review rating of *pass*.

Used When a Letter of Comment Is Issued: *(immediately follows the last sentence in the opinion paragraph)*

As is customary, we have issued a letter dated (insert date) that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Use When the Scope of the Review Includes IPA Monitoring:

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to (reviewed OIG)'s monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed OIG) had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on (reviewed OIG)'s monitoring of work performed by IPAs.

If Applicable, and a Letter of Comment is Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We made certain comments related to (reviewed OIG)'s monitoring of engagements performed by IPAs that are included in the above referenced letter dated (insert date).

If Applicable, and a Letter of Comment is not Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We have issued a letter dated (insert date) that sets forth comments on (reviewed OIG)'s monitoring of engagements performed by IPAs. These comments do not affect the opinion expressed in this report.

/s/
(Name), Inspector General

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

Identify the peer review scope and methodology. For example:

We tested compliance with the (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit and attestation reports issued during the period April 1, 20XX, through March XX, 20XX, and semiannual reporting periods (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed the (reviewed OIG)'s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 20XX, through March XX, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's Fiscal Year 20XX financial statements. (Reviewed OIG) also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Houston, TX; Louisville, KY; and Atlanta, GA offices of (the reviewed OIG).

Reviewed Engagements Performed by (Reviewed OIG)

Identify audit reports selected for review. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908765C	12/13/20XX	Audit Report on Iraq Contracting Practices

Reviewed Monitoring Files of (Reviewed OIG) for Contracted Engagements

Identify audit reports issued by IPAs selected for review of the OIG's monitoring activities. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908766F	11/15/20XX	Audit Report on Department of (name of agency)'s Financial Statements for Fiscal Year 20XX

(2) Report with a Peer Review Rating of Pass (with a Scope Limitation)

A report with a scope limitation should be issued when the scope of the review is limited by conditions that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies)*, or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *pass*. The changes to the standard report language are marked in ***Bold Italics***. For purposes of this illustrative report, we have not included the illustrative sections for when a letter of comment is issued and the scope of the review includes IPA monitoring.

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. ***Except as discussed below***, the engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit function. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests

covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

(Reviewed OIG) notified us that all documentation for audits performed by its Southern Region office during the period under review and for the 5 prior years were destroyed as a result of a natural disaster. As a result, we were unable to review a cross-section of all the (reviewed OIG)'s offices in accordance with the peer review guidelines established by the CIGIE.

Enclosure 1 to this report identifies the offices of the (reviewed OIG) that we visited and the engagements that we reviewed.

In our opinion, ***except for any deficiencies or significant deficiencies that might have come to our attention had we been able to review engagements performed by the (reviewed OIG)'s Southern Region office, as described above,*** the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, has been suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. (Reviewed OIG) has received a peer review rating of *pass (with a scope limitation)*.

/s/

(Name), Inspector General

Enclosures

(3) Report with a Peer Review Rating of *Pass with Deficiencies*

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. The engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit organization. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of the (reviewed OIG) that we visited and the engagements that we reviewed.

We noted the following deficiencies during our review.

1. Deficiency – We identified errors in XX of the XX audit reports examined that limited the reliability of the reports. These XX audits were issued by XX of the XX audit divisions reviewed. We attributed these errors to the absence of control measures in the audit organization’s policies and procedures designed to assure compliance with generally accepted government auditing standards. The errors found, and the impact they had on the reliability of the reports, are summarized below:

- Report No. XX, Title (Date). The report stated that the actions taken by the program office were in noncompliance with Departmental Regulation No. XX ‘Title.’ The support contained in the audit documentation shows that the program office was in compliance with the regulation as it existed at the time the program office took the action. The audit documentation shows that the issue for which noncompliance was cited did not become effective until 6 months later. Therefore, the report finding was inaccurate and the recommendation was not applicable. Although an independent referencing step in the guide called for validation of the finding’s criteria, we were informed that this step was not performed due to time constraints.
- Report No. XX, Title, (Date) (Describe error)

Recommendation – (Reviewed OIG) should strengthen its referencing requirements to include a certification by the referencer that all required steps have been completed.

Views of Responsible Official. Agree. The OIG will revise its referencing checklist as recommended.

2. Deficiency – (Describe)

Enclosure 2 to this report includes the response by (reviewed OIG) to the above deficiencies.

In our opinion, except for the deficiencies described above, the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, has been suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. (Reviewed OIG) has received a peer review rating of *pass with deficiencies*.

Used When a Letter of Comment Is Issued: (*immediately follows the last sentence in the opinion paragraph*)

As is customary, we have issued a letter dated (insert date) that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

(Note: A letter of comment should not be prepared when a peer review rating of pass with deficiencies is issued where all of the findings are considered deficiencies.)

Use When the Scope of the Review Includes IPA Monitoring

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to (reviewed OIG)'s monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed OIG) had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on (reviewed OIG)'s monitoring of work performed by IPAs.

If Applicable, and a Letter of Comment is Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We made certain comments related to (reviewed OIG)'s monitoring of engagements performed by IPAs that are included in the above referenced letter dated (insert date).

If Applicable, and a Letter of Comment is not Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We have issued a letter dated (insert date) that sets forth comments on (reviewed OIG)'s monitoring of engagements performed by IPAs. These comments do not affect the opinion expressed in this report.

/s/

(Name), Inspector General

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

Identify the peer review scope and methodology. For example:

We tested compliance with the (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit and attestation reports issued during the period April 1, 20XX, through March XX, 20XX, and semiannual reporting periods (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (the reviewed OIG).

In addition, we reviewed the (reviewed OIG)'s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 20XX, through March XX, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's Fiscal Year 20XX financial statements. (Reviewed OIG) also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Houston, TX; Louisville, KY; and Atlanta, GA offices of (reviewed OIG).

Reviewed Engagements Performed by (reviewed OIG)

Identify audit reports selected for review. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908765C	12/13/20XX	Audit Report Iraq Contracting Practices

Reviewed Monitoring Files of (reviewed OIG) for Contracted Engagements

Identify audit reports issued by IPAs selected for review of the OIG's monitoring activities. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908766F	11/15/20XX	Audit Report on Department of (name of agency)'s Financial Statements for Fiscal Year 20XX

Note: Enclosure 2 should be included to show the reviewed OIG's official comments to the reported deficiencies.

(4) Report with a Peer Review Rating of *Pass With Deficiencies (with a Scope Limitation)*

A report with a scope limitation should be issued when the scope of the review is limited by conditions that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies)*, or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *pass with deficiencies*. The changes to the standard report language are marked in ***Bold Italics***. For purposes of this illustrative report, we have not included the illustrative sections for when a letter of comment is issued and the scope of the review includes IPA monitoring.

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (the reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. ***Except as discussed below***, the engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit organization. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

(Reviewed OIG) notified us that all documentation for audits performed by its Southern Region office during the period under review and for the 5 prior years were destroyed as a result of a natural disaster. As a result, we were unable to review a cross-section of all the (reviewed OIG)'s offices in accordance with the peer review guidelines established by the CIGIE.

Enclosure 1 to this report identifies the offices of the (reviewed OIG) that we visited and the engagements that we reviewed.

We noted the following deficiencies during our review.

1. Deficiency – We identified errors in XX of the XX audit reports examined that limited the reliability of the reports. These XX audits were issued by XX of the XX audit divisions reviewed. We attributed these errors to the absence of control measures in the audit organization's policies and procedures designed to assure compliance with generally accepted government auditing standards. The errors found, and the impact they had on the reliability of the reports, are summarized below:
 - Report No. XX, Title (Date). The report stated that the actions taken by the program office were in noncompliance with Departmental Regulation No. XX 'Title.' The support contained in the audit documentation shows that the program office was in compliance with the regulation as it existed at the time the program office took the action. The audit documentation shows that the issue for which noncompliance was cited did not become effective until 6 months later. Therefore, the report finding was inaccurate and the recommendation was not applicable. Although an independent referencing step in the guide called for validation of the finding's criteria, we were informed that this step was not performed due to time constraints.
 - Report No. XX, Title, (Date) (Describe error)

Recommendation – (reviewed OIG) should strengthen its referencing requirements to include a certification by the referencer that all required steps have been completed.

Views of Responsible Official. Agree. The OIG will revise its referencing checklist as recommended.

2. Deficiency – (Describe)

Enclosure 2 to this report includes the response by (reviewed OIG) to the above deficiencies.

In our opinion, except for the deficiencies described above *and any additional deficiencies or significant deficiencies that might have come to our attention had we been able to review engagements performed by the (reviewed OIG)'s Southern Region office, as described above*, the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, has been suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass, pass with deficiencies, or fail*. (reviewed OIG) has received a peer review rating of *pass with deficiencies (with a scope limitation)*.

/s/

(Name), Inspector General

Enclosures

(5) Report with a Peer Review Rating of *Fail*

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. The engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements audits. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit organization. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of (reviewed OIG) that we visited and the engagements that we reviewed.

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed OIG)’s quality control system does not include a quality control process, such as independent referencing, for each audit and compensating controls for the lack of such a process were not in place. As a result, the system as designed did not provide reasonable assurance that applicable auditing standards, policies, and procedures were met. The system design inadequacies were attributable to management’s determination that a quality control process for each audit was redundant, given other control measures, such as supervisory reviews. In addition, our review of individual audits disclosed errors in XX of the XX audit reports reviewed. These XX audit reports were issued by all XX of the audit divisions reviewed. We believe that these errors had not been precluded or detected in a timely manner due to the quality control system weaknesses. The errors found and the impact they had on the reliability of these eight reports are summarized below:
 - Report No. XX, “Title” (Date). Our review of this report disclosed XX errors that negatively impacted the reliability of the audit report. For example, the audit report stated that internal controls had been evaluated over the program activity audited, but the audit program did not include a provision for internal control testing, nor did the audit documentation reflect the performance of any such tests. Our discussions with audit management and assigned staff disclosed that they interpreted program compliance issues to be internal control weaknesses, and thus formalized testing was not needed. We attributed the report’s misstatements to a lack of formalized policies and procedures requiring an independent quality control process for each audit.
 - Report No. XX, “Title” (Date) (Describe error).

Recommendation – (Reviewed OIG) should develop and implement policies for providing reasonable assurance of the accuracy of data in final audit reports such as a quality control process for each audit.

Views of Responsible Official. Agree. The OIG will immediately develop and implement policies establishing an independent referencing process to provide reasonable assurance of the accuracy of data in final audit reports.

2. Deficiency – (Describe)

Enclosure 2 to this report includes the response by (reviewed OIG) to the above deficiencies.

In our opinion, as a result of the significant deficiencies described above, the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, was not suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in

all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. (Reviewed OIG) has received a peer review rating of *fail*.

Used When a Letter of Comment Is Issued: *(immediately follows the last sentence in the opinion paragraph)*

As is customary, we have issued a letter dated (insert date) that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Use When the Scope of the Review Includes IPA Monitoring

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to (reviewed OIG)'s monitoring of audit engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed OIG) had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on (reviewed OIG)'s monitoring of work performed by IPAs.

If Applicable, and a Letter of Comment is Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We made certain comments related to (reviewed OIG)'s monitoring of engagements performed by IPAs that are included in the above referenced letter dated (insert date).

If Applicable, and a Letter of Comment is not Issued on the System of Quality Control for Adherence to GAGAS: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

We have issued a letter dated (insert date) that sets forth comments on (reviewed OIG)'s monitoring of engagements performed by IPAs. These comments do not affect the opinion expressed in this report.

/s/

(Name), Inspector General

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

Identify the peer review scope and methodology. For example:

We tested compliance with the (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit and attestation reports issued during the period April 1, 20XX, through March XX, 20XX, and semiannual reporting periods (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed the (reviewed OIG)'s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 20XX, through March XX, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Houston, TX; Louisville, KY; and Atlanta, GA offices of (reviewed OIG).

Reviewed Engagements Performed by (Reviewed OIG)

Identify audit reports selected for review. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908765C	12/13/20XX	Audit Report on Iraq Contracting Practices

Reviewed Monitoring Files of (Reviewed OIG) for Contracted Engagements

Identify audit reports issued by IPAs selected for review of the OIG's monitoring activities. For example:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AA0908766F	11/15/20XX	Audit Report on Department of (name of agency)'s Financial Statements for Fiscal Year 20XX

Note: Enclosure 2 should be included to show the reviewed OIG's official comments to the reported deficiencies.

(6) Report with a Peer Review Rating of *Fail (with a Scope Limitation)*

A report with a scope limitation should be issued when the scope of the review is limited by conditions that preclude the application of one or more peer review procedure(s) considered necessary in the circumstances and the review team cannot accomplish the objectives of those procedures through alternate procedures. A scope limitation may be included in a report with a peer review rating of *pass*, *pass with deficiency(ies)*, or *fail*. In this example, the scope limitation was included in a report with a peer review rating of *fail*. The changes to the standard report language are marked in ***Bold Italics***. For purposes of this illustrative report, we have not included the illustrative sections for when a letter of comment is issued and the scope of the review includes IPA monitoring.

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (the reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for designing a system of quality control and complying with it to provide (reviewed OIG) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed (reviewed OIG) personnel and obtained an understanding of the nature of the (reviewed OIG) audit organization, and the design of the (reviewed OIG)'s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the (reviewed OIG)'s system of quality control. ***Except as discussed below***, the engagements selected represented a reasonable cross-section of the (reviewed OIG)'s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed OIG) management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed OIG)'s audit organization. In addition, we tested compliance with the (reviewed OIG)'s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the (reviewed OIG)'s policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

(Reviewed OIG) notified us that all documentation for audits performed by its Southern Region office during the period under review and for the 5 prior years were destroyed as a result of a natural disaster. As a result, we were unable to review a cross-section of all the (reviewed OIG)'s offices in accordance with the peer review guidelines established by the CIGIE.

Enclosure 1 to this report identifies the offices of (reviewed OIG) that we visited and the engagements that we reviewed.

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed OIG)'s quality control system does not include a quality control process, such as independent referencing, for each audit and compensating controls for the lack of such a process were not in place. As a result, the system as designed did not provide reasonable assurance that applicable auditing standards, policies, and procedures were met. The system design inadequacies were attributable to management's determination that a quality control process for each audit was redundant, given other control measures, such as supervisory reviews. In addition, our review of individual audits disclosed errors in XX of the XX audit reports reviewed. These XX audit reports were issued by all XX of the audit divisions reviewed. We believe that these errors had not been precluded or detected in a timely manner due to the quality control system weaknesses. The errors found and the impact they had on the reliability of these eight reports are summarized below:
 - Report No. XX, "Title" (Date). Our review of this report disclosed XX errors that negatively impacted the reliability of the audit report. For example, the audit report stated that internal controls had been evaluated over the program activity audited, but the audit program did not include a provision for internal control testing, nor did the audit documentation reflect the performance of any such tests. Our discussions with audit management and assigned staff disclosed that they interpreted program compliance issues to be internal control weaknesses, and thus formalized testing was not needed. We attributed the report's misstatements to a lack of formalized policies and procedures requiring an independent quality control process for each audit.

- Report No. XX, “Title” (Date) (Describe error).

Recommendation – (Reviewed OIG) should develop and implement policies for providing reasonable assurance of the accuracy of data in final audit reports such as a quality control process for each audit.

Views of Responsible Official. Agree. The OIG will immediately develop and implement policies establishing an independent referencing process to provide reasonable assurance of the accuracy of data in final audit reports.

2. Deficiency – (Describe)

Enclosure 2 to this report includes the response by (reviewed OIG) to the above deficiencies.

In our opinion, as a result of the significant deficiencies described above, ***and any additional significant deficiencies that might have come to our attention had we been able to review engagements performed by the (reviewed OIG)’s Southern Region office as described above,*** the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, was not suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass, pass with deficiencies, or fail.* (reviewed OIG) has received a peer review rating of *fail (with a scope limitation).*

/s/

(Name), Inspector General

Enclosures

(7) Letter of Comment

(OIG Letterhead)

(Date)

To (Name), Inspector General
(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, and have issued our report thereon dated September 30, 20XX, in which the (reviewed OIG) received a rating of (as applicable, *pass*, *pass with deficiencies*, or *fail*). That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The finding(s) described below was (were) not considered to be of sufficient significance to affect the opinion expressed in that report.

Finding 1. Independence – Required Checklist Not Completed.

For every audit, the OIG audit organization's quality control policies and procedures require each member of the audit team to complete a checklist designed to help identify personal and external impairments to independence and document compliance with the *Government Auditing Standards* independence requirements. These checklists were not completed on 3 of 10 audits reviewed. Based on discussions with the members of the audit teams involved, we concluded that no actual impairments existed.

Recommendation – The OIG should reemphasize its policy on independence checklists and amend its audit review checklist to include a review item for the completion of the independence checklist.

Views of Responsible Official. Agree.

Finding 2. Audit Performance – Timely Supervisory Review of Work

The OIG's policies and procedures require that supervisors be involved and review work on an ongoing basis throughout the audit. On 4 of 10 audits reviewed, the supervisory review of the work occurred at the end of the audit. According to the supervisors involved, this occurred because other ongoing audits, which had higher priority at the time, demanded her attention. When review of the work is delayed until the end of the audit, there is a greater risk that problems with the audit work will not be identified until it is too late to correct.

Recommendation – OIG management should review the pattern of assignments to supervisors involved and determine whether the workload was such that the supervisors could have reasonably been expected to comply with the OIG's policy requiring an ongoing review of all audit work.

Views of Responsible Official. Agree.

Use if Scope of External Review Included IPA Monitoring and Weaknesses Were Identified:

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency related to (reviewed OIG)'s monitoring of audit work performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. The matter described below was identified:

Finding 3. IPA Monitoring – IPA Peer Review Reports

(Reviewed OIG) audit organization's policies and procedures require that for all contracted audits, monitoring staff should obtain and document in the monitoring records a copy of the IPA's most recent peer review report and, if one is issued, the letter of comment associated with the peer review report. We noted that the monitoring files for the contracted audit of the (agency name) Fiscal Year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one was not obtained. While the staff subsequently obtained a copy which showed that the IPA received a peer review rating of pass, this should have been done as part of the monitoring of the contracted work not after the fact in case there were issues raised with the IPA's past audit work that may have impacted the scope of the monitoring activities.

Recommendation – (Reviewed OIG) should reemphasize its policy to obtain the latest external peer review report and associated letter of comment as part of monitoring activities for contracted IPA audit work.

Views of Responsible Office. Agree.

/s/

(Name), Inspector General

Enclosures

(8) Example of “Discussion Draft” Transmittal Memo

(Name)

Assistant Inspector General

(Name of Department or Agency)

(Address)

Subject: System Review Report on the (Name of Department or Agency’s) Office of Inspector General Audit Organization

Dear (Name of Assistant Inspector General for Audit):

Attached is the discussion draft of the System Review Report of the (Name of Department or Agency’s) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. We will contact you soon to arrange for an exit conference.

If you have any questions, please have your staff contact (name and phone number of designee).

(Name)

Assistant Inspector General for Audit

Attachment

(9) Example of “Official Draft” Transmittal Memo

(Name)
Assistant Inspector General
(Name of Department or Agency)
(Address)

Subject: System Review Report on the (Name of Department or Agency’s) Office of Inspector General Audit Organization

Dear (Name of Assistant Inspector General):

Attached is the official draft of the System Review Report of the (Name of Department or Agency’s) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. This review was discussed with you and members of your staff on (date). Based on comments at the exit conference, we made (substantive or minor) revisions to the report (if applicable).

Please provide your written response to the official draft by (date) specifying corrective actions taken or planned on each audit recommendation and proposed completion dates for implementation of such actions. Your response along with our audit conclusions will be incorporated into the final report.

If you have any questions, please have your staff contact (name and phone number of designee).

(Name)
Assistant Inspector General

Attachment

(10) Example of “Final” Transmittal Memo

The Honorable (Name)
Inspector General
(Name of Department or Agency)
(Address)

Subject: System Review Report on the (Name of Department or Agency’s) Office of Inspector General Audit Organization

Dear (Name of Inspector General):

Attached is the final System Review Report of the (Name of Department or Agency’s) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your response to the draft report is included as Exhibit C with excerpts and our position incorporated into the relevant sections of the report.

We agree with your proposed corrective action to the recommendations. We thank you and all of your staff that we dealt with for your assistance and cooperation during the conduct of the review.

(Name)
Inspector General

Attachment

General questions or comments related to this guide
may be directed to APRG@oig.treas.gov

Appendix A

Policies and Procedures

OIG UNDER REVIEW
& PERIOD REVIEWED _____

	<u>Name</u>	<u>Title</u>	<u>Phone Number</u>
PERSON(S) WHO COMPLETED SECTION 1	_____		

DATE COMPLETED _____

	<u>Name</u>	<u>Title</u>	<u>Phone Number</u>
PERSON(S) WHO COMPLETED SECTION 2	_____		

DATE COMPLETED _____

Purpose and Instructions

Reviewed Organization

Section 1 of this questionnaire is designed to obtain general information about your audit organization and information about its internal quality control system. It requests specific information about your policies and procedures designed to assure compliance with generally accepted government auditing standards (GAGAS). The external peer review team will complete Section 2 as part of the review of your audit organization's quality control system.

Please respond to the questions in Section 1, by providing a reference to and a copy of your documented policies and procedures. If you do not have written policies and procedures, describe the practice in place and how you ensure all audit staff are cognizant of the requirements. Also indicate in your response any relevant checklists or forms that your organization requires, and provide copies. If you have an audit manual or similar document, your answers should be cross-referenced to the applicable sections of this and other supplemental documents as appropriate. The documentation with the completed Section 1 questionnaire should be provided to the team leader before the site review begins.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* contemplates that an Office of Inspector General's (OIG's) written policies and procedures, to include control measures to ensure compliance, is a key characteristic of its overall quality control system. GAGAS, paragraph 3.50 states: "Each audit organization performing audits or attestation engagements in accordance with GAGAS must establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements." An audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high-quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. **In answering these questions, it is therefore important to describe any control procedures your organization has in place to ensure that activities stated in your policies are actually performed as intended.**

External Peer Review Team

The policies and procedures obtained from or described by the audit organization being reviewed should be examined and evaluated. A conclusion should be reached regarding the adequacy of the policies and procedures in terms of whether they, if properly fulfilled, would provide reasonable assurance that GAGAS would be met. To facilitate the review, links to the pertinent GAGAS sections are included; for additional information, the

reviewer may want to refer directly to the standards. Emphasis should be placed on the qualitative nature of the guidance and the adequacy of control measures that would foster such assurance. The policies and procedures that establish internal guidance and audit requirements represent a key primary characteristic of the overall quality control system; accordingly, the level of assurance afforded needs to be assessed.

Record in Section 2 of this Appendix the conclusion “Adequate” or “Inadequate” as designed. A cross-reference to a narrative explanation supporting the determination should also be recorded. The determination should be based upon the reviewer’s knowledge of GAGAS. If the policies and procedures were found to be inadequate as prescribed, inquire of management as to how the standards were met. Regardless of whether policies and procedures are adequate, the reviewer should test compliance with standards using the checklists (Appendices B-F), modified as needed. It is important to note, however, that GAGAS represents the overarching criteria. If, for example, the reviewed organization’s policies and procedures encompass more extensive requirements than those prescribed in GAGAS and lack of compliance is noted with those incremental requirements, it would not constitute a deficiency or significant deficiency for the purposes of this review (though it should be presented as a finding in the letter of comment or orally conveyed to management, depending on the circumstances).

In addition, the absence of a particular policy or policies does not, in and of itself, constitute a reportable condition, but should be taken into consideration in concluding as to the adequacy of the quality control system taken as a whole.

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
1. INDEPENDENCE		
Personal Impairments		
1.1 What are your policies and procedures: (GAS, 3.07-.09) <ul style="list-style-type: none"> a. To identify, report, and resolve personal impairments to independence? b. To communicate your policies and procedures to all auditors in the organization and promote understanding of the policies and procedures? c. For establishing a disciplinary mechanism to promote compliance with your policies and procedures? d. For stressing the importance of independence and the expectation that auditors will always act in the public interest? e. For documenting the steps taken to identify potential personal independence impairments? 		
1.2 What are your policies and procedures to ensure specialists are independent? (GAS, 3.05)		
1.3 What are your policies and procedures for notifying the entity management when an impairment to independence is identified after the audit report is issued? (GAS, 3.06)		
External Impairments		
1.4 What are your policies and procedures for identifying, reporting, and resolving external impairments? (GAS, 3.10-.11)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Organizational Independence		
1.5 What are your policies and procedures for ensuring the OIG is considered free from organizational impairments? Provide documentation which allows the audit organization to be considered free of organizational impairments. (GAS, 3.12)		
1.6 What are your policies and procedures for ensuring nonaudit services do not impair independence? (GAS, 3.22-.30)		
2. PROFESSIONAL JUDGMENT		
2.1 What are your policies and procedures to ensure that professional judgment is exercised in planning and performing an audit or attestation engagement and in reporting the results? (GAS, 3.31-.39)		
2.2 What are your policies and procedures for documenting significant decisions affecting the audit objectives, scope, and methodology; findings and conclusions; and recommendations? (GAS, 3.38)		
3. COMPETENCE		
3.1 What are your policies and procedures to ensure that staff members who conduct audit and attestation engagements fulfill the competence standard? Include references to your agency's process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce. (GAS, 3.40-.42)		
3.2 What are your policies and procedures to ensure that staff assigned to conduct an audit or attestation engagement under GAGAS collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment? (GAS 3.43)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>3.3 What are your policies and procedures for ensuring that auditors performing financial audits are knowledgeable in generally accepted accounting principles (GAAP), AICPA generally accepted auditing standards for field work and reporting and the related Statements on Auditing Standards (SAS), and the application of these standards? (GAS, 3.44)</p>		
<p>3.4 What are your policies and procedures to ensure that auditors performing attestation engagements are knowledgeable in the AICPA general attestation standard related to criteria, the AICPA attestation standards for field work and reporting, and the related Statements on Standards for Attestation Engagements (SSAE)? (GAS, 3.45)</p>		
<p>Continuing Education and Training</p> <p>3.5 What are your policies and procedures for ensuring that the continuing education and training requirements for your agency's audit staff are met? (GAS, 3.46-49)</p>		
<p>4. QUALITY CONTROL AND ASSURANCE</p>		
<p>4.1 What are your policies and procedures that address a system of quality control designed to provide reasonable assurance to comply with professional standards and applicable legal and regulatory requirements, including (GAS, 3.50-3.53):</p> <ul style="list-style-type: none"> a. Leadership responsibilities? b. Independence, legal, and ethical requirements? c. Initiation, acceptance, and continuance of audit and attestation engagements? d. Human resources (staffing skills, education, experience and knowledge of applicable audit subject matter)? e. Audit and attestation engagement performance. 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
documentation, and reporting? f. Monitoring of quality?		
4.2 What are your policies and procedures to ensure that your most recent peer review report is publicly available? (GAS, 3.61)		
5. AUDIT PLANNING		
Note: For GAGAS paragraphs that reference an American Institute of Certified Public Accountants (AICPA) audit standard, a review of that standard should be made to determine the entity’s compliance with GAGAS.		
Financial Audits		
5.1 What are your policies and procedures for ensuring that the audit is adequately planned? (GAS, 4.03)		
5.2 What are your policies and procedures for ensuring that a sufficient understanding of the entity and its environment, including its internal control, is obtained to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures? (GAS, 4.03)		
5.3 What are your policies and procedures for auditor communication during planning? (GAS, 4.05-.08)		
5.4 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements? (GAS, 4.09)		
Attestation Engagements		
5.5 What are your policies and procedures for determining whether the subject matter is capable of evaluation against criteria that are suitable and available to users? (GAS, 6.03)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.6 What are your policies and procedures for ensuring that when planning the engagement, the auditors communicate certain information, including their understanding of the services to be performed for each engagement, in writing to entity management, those charged with governance, and to the individuals contracting for or requesting the engagement? (GAS, 6.06-.08)		
5.7 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter? (GAS, 1.28 and 6.09)		
5.8 What are your policies and procedures for planning examination-level attestation engagements, such that auditors obtain a sufficient understanding of internal control that is material to the subject matter, in order to plan the engagement and design procedures to achieve the objectives of the attestation engagement? (GAS, 6.10-.12)		
5.9 What are your policies and procedures for ensuring that in planning examination-level engagements, the auditors' design the engagement to provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of contracts or grant agreements that could have a material effect on the subject matter of the attestation engagement? (GAS, 6.13)		
Performance Audits		
5.10 What are your policies and procedures to ensure the work is adequately planned? (GAS, 7.06-.09)		
5.11 What are your policies and procedures to ensure the work is designed to obtain sufficient, appropriate evidence to address audit objectives, reduce audit risk, and support auditors' findings and conclusion? (GAS, 7.10)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.12 What are your policies and procedures to ensure auditors assess audit risk and significance within the context of their audit objectives? (GAS, 7.11)		
5.13 What are your policies and procedures to identify criteria and sources, assign sufficient staff, and communicate planning and performance of the audit with auditee management? (GAS, 7.12)		
5.14. What are your policies and procedures to ensure auditors gain an understanding of the program/program component under review, its relevant risks, purpose, and goals, and internal controls? (GAS, 7.13-.15 and 7.16-.22)		
5.15 What are your policies and procedures for considering risks due to legal and regulatory requirements, to include fraud and abuse, significant within the context of the audit objectives? (GAS, 7.28-.38)		
5.16 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter? (GAS, 7.36)		
5.17 What are your policies and procedures to ensure auditors obtain an understanding of information systems controls when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems? (GAS, 7.23-.27)		
6. SUPERVISION		
All Engagements		
6.1 What are your policies and procedures for ensuring that the audit is properly supervised? (GAS, 4.03 and 7.52-.54)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
6.2 What are your policies and procedures regarding the documentation of supervisory reviews of audit work? (GAS, 4.20 and 7.80)		
7. EVIDENCE AND DOCUMENTATION		
All Engagements		
7.1 What are your policies and procedures regarding the preparation of appropriate documentation for audit engagements that are terminated prior to completion? (GAS 4.08, 6.08, 7.49, 8.06)		
Performance Audits		
7.2 What are your policies and procedures to ensure that auditors obtain sufficient, appropriate evidence that encompasses relevance, validity, and reliability in support of findings and/or conclusions? (GAS, 7.55)		
7.3 What are your policies and procedures to ensure auditors evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAS, 7.61)		
7.4 What are your policies and procedures to ensure that auditors obtain an understanding of internal control that is significant within the context of the audit objectives? (GAS, 7.16-.22)		
7.5 What are your policies and procedures for developing the elements of a finding? (GAS 7.37-.38; 7.72-7.76)		
Assessing the Reliability of Computer Processed Data		
7.6 What are your policies and procedures for assessing the sufficiency and appropriateness of computer-processed information, whether that information is client-provided or auditor-extracted? (GAS, 7.65)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Documentation		
7.7 What are your policies and procedures to ensure documentation related to planning, conducting, and reporting of each audit, is properly prepared and reviewed? (GAS, 7.77)		
7.8 What are your policies and procedures for ensuring that audit documentation clearly identifies any deviation from GAGAS requirements and includes the impact of such deviation on the audit conclusions? (GAS, 7.81)		
7.9 What are your policies and procedures to ensure audit documentation is properly retained and safeguarded? (GAS, 7.82)		
Financial Audits		
7.10 What are your policies and procedures for ensuring that sufficient appropriate audit evidence is obtained to provide a reasonable basis for an opinion regarding the financial statements under audit? (GAS 4.03)		
7.11 What are your policies and procedures for developing the elements of a finding? (GAS 4.14-.18)		
Documentation		
7.12 What are your policies and procedures for preparing audit documentation that enables an experienced auditor to understand: (GAS, 4.19-.24)		
<ul style="list-style-type: none"> a. The nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements? (GAS 4.19) b. The results of the audit procedures performed and the audit evidence obtained? (GAS, 4.19) c. The conclusions reached on significant matters? 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>(GAS, 4.19)</p> <ul style="list-style-type: none"> d. That the accounting records agree or reconcile with the audited financial statements or other audited information? (GAS, 4.19) e. The impact on the audit and the auditor’s conclusions of a departure from GAGAS requirements? (GAS, 4.21) f. Policies and procedures for safe custody and retention of documentation? (GAS, 4.22) g. Procedures for providing other auditors with documentation in a timely manner? (GAS, 4.23) h. How the organization deals with requests by outside parties to obtain access to audit documentation? (GAS, 4.24) 		
Attestation Engagements		
<p>7.13 What are your policies and procedures to determine whether sufficient evidence has been obtained to provide a reasonable basis for the conclusion that is expressed in the report? (GAS, 6.04b)</p>		
<p>7.14 What are your policies and procedures for ensuring that audit findings include the four required elements: criteria; condition; cause; and effect or potential effect? (GAS, 6.15-.19)</p>		
<p>7.15 What are your policies and procedures for ensuring that materiality is considered in an attestation engagement, either individually or in the aggregate, in terms of the fair presentation of a subject matter or an assertion about a subject matter? (GAS, 6.28)</p>		
<p>7.16 What are your policies and procedures for ensuring that attest documentation for each engagement is in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>of engagement procedures performed); the evidence obtained and its source; and the conclusions reached? (GAS, 6.20-.26)</p>		
<p>8. LEGAL AND REGULATORY REQUIREMENTS</p>		
<p>All Engagements</p>		
<p>8.1 What are your policies and procedures for ensuring that your auditors avoid interfering with investigations or legal proceedings while pursuing indications of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse? (GAS, 4.29, 6.29, 7.35)</p>		
<p>Financial Audits</p>		
<p>8.2 What are your policies and procedures for detecting material misstatements resulting from violations of provisions of contracts or grant agreements or from abuse? (GAS, 4.10-.13)</p>		
<p>8.3 What are your policies and procedures for handling the following additional considerations for GAGAS financial audits? (GAS 4.25)</p> <p>a. Materiality in a GAGAS financial audit? (GAS, 4.26)</p> <p>b. Consideration of fraud and illegal acts? (GAS, 4.27-.28)</p>		
<p>Attestation Engagements</p>		
<p>8.4 What are your policies and procedures for ensuring that, in review-level and agreed-upon-procedures-level engagements, if during the course of the engagement, information comes to the auditors' attention indicating that fraud, illegal acts, or violations of provisions of contracts or grant agreements that could have a material effect on the subject matter may have occurred, the auditors will perform procedures as necessary to (1) determine if fraud, illegal acts, or violations of provisions of contracts or grant agreements are likely to have occurred and, if so,</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
(2) determine their effect on the results of the attestation engagement? (GAS 6.13b)		
Performance Audits		
8.5 What are your policies and procedures to ensure auditors (1) determine which laws, regulations, and contractor grant agreement provisions are significant within the context of audit objectives, and (2) assess the risk of any violations? (GAS, 7.28)		
9. REPORTING STANDARDS		
All Engagements		
9.1 What are your policies and procedures regarding a statement in audit and attestation reports that the review was made in accordance with generally accepted government auditing standards? (GAS, 1.11-.13; 5.05-.06; 6.32; and 8.30-.31)		
9.2 What are your policies and procedures for reporting on fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse? (GAS, 5.15-.17; 6.36-.38; 8.21-.23)		
9.3 What are your policies and procedures for reporting findings directly to parties outside the audited entity? (GAS, 5.18-.20; 6.39-.41; 8.24-.26)		
9.4 What are your policies and procedures for presenting findings in a report? (GAS, 5.21-.22; 6.42-.43; 8.14-.17)		
9.5 What are your policies and procedures for reporting views of responsible officials? (GAS, 5.32-.38; 6.44-.50; 8.32-.37)		
9.6 What are your policies and procedures for reporting confidential and sensitive information? (GAS, 5.39-.43; 6.51-.55; 8.38-.42)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.7 What are your policies and procedures for distributing audit reports? (GAS, 5.44; 6.56; 8.43)</p>		
<p>Financial Audits</p>		
<p>9.8 What are your policies and procedures for complying with the AICPA’s four generally accepted reporting standards? (GAS, 5.03) How do your policies and procedures ensure that:</p> <ul style="list-style-type: none"> a. The report states that the financial statements are presented in accordance with generally accepted accounting principles (GAAP)? b. The auditor identifies in the auditor's report those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period? c. When the auditor determines that informative disclosures are not reasonably adequate, the auditor states so in the auditor's report? d. The auditor either expresses an opinion regarding the financial statements, taken as a whole, or states that an opinion cannot be expressed, in the auditor's report? 		
<p>9.9 What are your policies and procedures for reporting on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements, including: (GAS, 5.07-.10)</p> <ul style="list-style-type: none"> a. A description of the scope of the auditors’ testing of internal control over financial reporting and compliance with laws, regulations, and contracts? b. A statement in the report that the auditors are issuing additional reports relating to internal controls and compliance with laws, regulations, and contract requirements, and to make reference to separate reports ? 		
<p>9.10 What are your policies and procedures for reporting</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
deficiencies in internal controls identified as: (GAS, 5.11-.14) a. Significant deficiencies? b. Material weaknesses? c. Those with inconsequential impact to processes?		
9.11 What are your policies and procedures for communicating significant matters in the audit report? (GAS, 5.23-.25)		
9.12 What are your policies and procedures for reporting on restatement of previously issued financial statements, including: (GAS, 5.26-.31) a. The need to advise auditee management when auditors are aware of information that that might have affected their opinion on previously issued financial statement(s)? (GAS, 5.26 & .27) b. Evaluating the timeliness of management’s disclosure and actions to determine and correct misstatements in previously issued financial statements? (GAS, 5.28) c. Reporting on restated financial statements? (GAS, 5.29) d. Reporting on management’s omitted disclosures on restated financial statements? (GAS, 5.30) e. Reporting directly to appropriate officials when the audited entity does not act in an appropriate timeframe after new information became available affecting the financial statements? (GAS, 5.31)		
Attestation		
9.13 What are your policies and procedures to ensure that AICPA reporting standards are met? (GAS, 6.30)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.14 What are your policies and procedures to ensure that the report includes, as applicable to the objectives of the engagement, and based upon the work performed, discussion on: (GAS, 6.33)</p> <ul style="list-style-type: none"> a. Significant deficiencies in internal control, identifying those considered to be material weaknesses? b. All instances of fraud and illegal acts unless inconsequential? c. Violations of provisions of contracts or grant agreements and abuse that could have a material effect on the subject matter of the engagement? 		
<p>9.15 What are your policies and procedures for reporting deficiencies in internal controls: (GAS, 6.34-.35)</p> <ul style="list-style-type: none"> a. Significant deficiencies? b. Material weaknesses? c. Those with inconsequential impact? 		
Performance Audits		
<p>9.16 What are your policies and procedures to ensure that a report is issued at the completion of the audit, in an appropriate format that clearly and concisely communicates the results to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials and made available to the public, as applicable and facilitate followup to determine whether appropriate corrective actions have been taken? (GAS, 8.03-.07):</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.17 What are your policies and procedures to ensure that the audit report contains, as appropriate: (GAS, 8.08-.20)</p> <ul style="list-style-type: none"> a. The audit objectives, scope, and methodology? b. The audit results, including, findings, conclusions, and recommendations? c. Background information and report limitations? d. The scope of the work on internal control? e. Discussions on deficiencies in internal controls, fraud, and illegal acts, in the context of the audit objectives? f. Conclusion that identified deficiencies in internal control that are significant within the context of the audit objectives are the cause of deficient performance of the program or operations being audited? 		
<p>9.18 What are your policies and procedures to ensure that the audit report contains conclusions, as applicable, based on the audit objectives and the audit findings? (GAS, 8.27)</p>		
<p>9.19 What are your policies and procedures to ensure that the audit report contains recommended actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions? (GAS, 8.28-.29).</p>		
<p>END OF CHECKLIST</p>		

Appendix B

Checklist for Review of Adherence to General Standards

OIG UNDER REVIEW
& PERIOD REVIEWED:

REVIEWER(S):

DATE COMPLETED:

Note: The purpose of this Appendix is to test the Office of the Inspector General’s (OIG’s) policies and procedures described and evaluated in Appendix A, related to the General Standards of Independence, Competence, and Quality Control and Assurance in *Government Auditing Standards* (GAS). The nature and extent of the tests are dependent upon the OIG’s policies and procedures. The OIG’s compliance with the General Standard of Professional Judgment will be tested during the reviews of selected audits and attestation engagements.

Testing	Overall Conclusions
<p>1. INDEPENDENCE</p>	
<p>1.1 Review the OIG’s organizational placement within the structure of the Government entity to which it is assigned. Does the OIG’s reporting level within the department or agency result in an organizational impairment? (GAS, 3.13-3.15)</p> <p>1.2 If non-audit services were performed, did the OIG evaluate whether providing the services creates an independence impairment with respect to the entities they audit? Was the evaluation appropriate? (GAS, 3.20–3.29)</p> <p>1.3 Determine whether appropriate supplemental safeguards were implemented for maintaining auditor independence for certain non-audit services, if performed by the OIG. (GAS, 3.28 and 3.30)</p>	
<p>2. COMPETENCE</p>	
<p>2.1 Through interview and observation, determine whether audit staff has appropriate access to applicable audit standards and other reference material necessary for planning and performing its audit work. (GAS, 3.40)</p> <p>2.2 Review documentation associated with a sample of new hires to determine if the OIG adhered to policies and procedures regarding minimal education and experience requirements. (GAS, 3.40)</p> <p>2.3 Review personnel records or other documentation showing continuing professional education and training received for a sample of auditors to determine if they have met the requirements. As applicable, the testing should include internal specialists used on audits. (GAS, 3.46-3.49)</p>	

Testing	Overall Conclusions
<p>3. QUALITY CONTROL AND ASSURANCE</p>	
<p>3.1 Determine if the OIG is performing monitoring procedures that enable it to assess compliance with applicable professional standards and quality control policies and procedures for audits and attestation engagements. In making this determination, consider performing the following:</p> <p>a. Select a sample of quality assurance reports and review the supporting audit documentation to determine if:</p> <ul style="list-style-type: none"> • The quality assurance reports described the work performed and the scope of the work was sufficiently comprehensive; • The quality assurance reports were recent enough to be of value; • The documentation indicates that the quality assurance team performed all the work necessary to satisfy the review objectives; • The documentation indicates that the review was properly supervised; • The findings and recommendations were supported by adequate documentation; • The responsible official provided written comments for each recommendation setting forth the corrective action already taken or proposed; • The official’s comments were adequately assessed; and • The recommendations were tracked and followed up on to ensure corrective action was taken. 	
<p>b. For individual audits or attestation engagements examined by the external peer review team, determine which selected audits were also reviewed as part of the OIG’s quality control program. Compare the results of the external peer review team and the quality control review. If the external peer review team’s assessment disclosed deficiencies that the quality control review did not, determine why not. Assess the scope,</p>	

Testing	Overall Conclusions
<p>methodology, and execution of the quality control review to isolate any weakness. If problems are noted, expand the testing to other audits that have been the subject of quality control reviews and examine, as necessary, in order to reach a supportable conclusion regarding the adequacy of the OIG’s quality control program. (GAS, 3.53f)</p>	
<p>3.2 Determine if individuals performing monitoring collectively have sufficient expertise and authority for this role. (GAS, 3.53f)</p> <p>3.3 Determine if the OIG organization is analyzing and summarizing the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (GAS, 3.54)</p> <p>3.4 Determine if the OIG received an external peer review performed by reviewers independent of the audit organization being reviewed within the last 3 years. (GAS, 3.55)</p> <p>3.5 Determine whether the OIG communicated the overall results and the availability of its prior external peer review reports to appropriate oversight bodies. (GAS, 3.61) Note: The applicable GAGAS requirement for the prior external peer review report is GAS, 3.56.</p>	
END OF CHECKLIST	

Appendix C

Checklist for Review of Financial Audits Performed by the Office of Inspector General

This appendix includes guidance for reviewing the Office of Inspector General's (OIG's) audit of the agency's principal financial statements where the OIG signed the audit report as the principal auditor. This appendix is not intended to be used for the OIG's monitoring of the work of an independent public accountant (IPA) where the IPA signed the report as the principal auditor. This guidance is provided in Appendix F - *Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm*. This appendix is not intended to replace auditor judgment. While this Appendix is comprehensive, the peer review team completing the Appendix may also wish to consult with other guidance as warranted, such as peer review checklists published by the American Institute of Certified Public Accountants (AICPA) (<https://www.aicpa.org/members/div/practmon/systemreview.asp>) and the Government Accountability Office (GAO)/President's Council on Integrity and Efficiency (PCIE) Financial Audit Manual, Volume 2, Section 1003, "Financial Statement Audit Completion Checklist" (<http://www.gao.gov/new.items/d08586g.pdf>).

OIG UNDER REVIEW
& PERIOD REVIEWED: _____

NAME OF AUDIT: _____
Financial Statement Audit of (Agency Name)

CONTROL NO.: _____

Name	Date
------	------

REVIEWER(S): _____

DATE COMPLETED: _____

	Yes	No	N/A	Remarks and Findings
<p>1. General Standards</p> <p>Note: In assessing compliance with the generally accepted government auditing standards (GAGAS) general standards for independence, professional judgment, and competence on individual financial audits performed by the OIG, the reviewer(s) should consult the audit organization’s policies and procedures with respect to what is expected to be included in the audit documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and evidence of compliance may not be found in the documentation for individual audits. When assessing the documentation, the reviewer should be alert to issues related to compliance with the general standards for independence, professional judgment, and competence, and make further inquiry as appropriate. Organization-wide testing of some or all aspects of the General Standards may be accomplished in Appendix B and not tested at individual audits. It is up to the audit team to determine the nature and extent of the testing required based on the OIG’s policies and procedures.</p>				
<p>1.1 Independence (<i>Government Auditing Standards</i> (GAS), 3.02-3.15)</p> <ul style="list-style-type: none"> • Did the OIG determine that auditors assigned to the audit are free of personal impairments to independence? (GAS, 3.07) • If there were potential or actual personal impairments to independence identified prior to or during the audit, did the audit organization satisfactorily resolve the conflict? If the OIG was unable to resolve the impairments, did the audit report include a modified GAGAS compliance statement? (GAS, 3.09) • If other auditors or specialists were used, did the audit team assess their independence? If impairments were identified, did the audit team decline to use their work? (GAS, 3.02,3.05) • Did the OIG determine that auditors assigned to the financial statement audit are free of impairments to external independence in both fact and appearance? (GAS, 3.10) • Did the OIG determine that it is free of impairments to organizational independence in both fact and appearance? (GAS, 3.12-.15) • For impairments to independence identified after the report was issued, did the OIG assess the impact on the audit and notified management and other interested parties of the impact? (GAS, 3.06) 				

	Yes	No	N/A	Remarks and Findings
<p>1.2 Professional Judgment (GAS, 3.31-.39)</p> <ul style="list-style-type: none"> • Did the audit team exercise appropriate professional judgment in planning and performing the audit, and reporting the results? (GAS, 3.31) • Did the audit team exercise reasonable care and professional skepticism; apply professional knowledge, skills, and experience; and maintain independence, objectivity, and credibility in assigning staff, defining scope of work, gathering and analyzing evidence and documentation, and evaluating and reporting the results to ensure that the work and staff comply with professional standards and ethical principles? (GAS, 3.32-.37) • Did the audit team document significant decisions affecting the objectives, scope, methodology, findings, conclusions, and recommendations resulting from professional judgment? (GAS, 3.38) <p>1.3 Competence (GAS, 3.40-3.49)</p> <ul style="list-style-type: none"> • Did the audit team collectively possess the appropriate level of education and experience for the assignment? (GAS, 3.42) • Did the audit team collectively possess the technical knowledge, skills, and experience to perform the assignment? (GAS, 3.40) • Does the staff appear to possess adequate knowledge of GAGAS, AICPA auditing and attestation standards, the audited entity’s environment, statistical sampling, information technology, GAAP, and the audited subject matter? (GAS, 3.43-.45) • Did the audit team members meet the GAGAS requirements for Continuing Professional Education? (Step may be tested here or as part of Appendix B.) (GAS, 3.46-.48) • If external specialists were used, did the audit team assess the professional 				

	Yes	No	N/A	Remarks and Findings
qualifications of the specialists and document their findings and conclusions? (GAS, 3.49)				
2. Field Work Standards (GAS, 4.01-4.29)				
<p>2.1 Audit Planning and Supervision (GAS, 4.03a, 4.04a-c; AICPA, Professional Standards, AU section 150.02; Statements on Auditing Standards (SAS) 107-109, 114)</p> <p>2.1.1 Has the audit team documented an understanding with the auditee in the form of an engagement memo or letter generally including the following statements: (GAS, 4.05, SAS 108, AU 311.09)</p> <ul style="list-style-type: none"> • The objective of the audit is the expression of an opinion on the financial statements. • Management is responsible for the entity’s financial statements and the selection and application of the accounting policies. • Management is responsible for establishing and maintaining effective internal control over financial reporting. • Management is responsible for designing and implementing programs and controls to prevent and detect fraud. • Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities. • Management is responsible for making all financial records and related information available to the auditor. • At the conclusion of the engagement, management will provide the auditor with a letter that confirms certain representations made during the audit. • The auditor is responsible for conducting the audit in accordance with GAGAS. Those standards require that the auditor obtain reasonable, rather than absolute, assurance about whether the financial 				

	Yes	No	N/A	Remarks and Findings
<p>statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements. If, for any reason, the auditor is unable to complete the audit or is unable to form, or has not formed, an opinion, he or she may decline to express an opinion or decline to issue a report as a result of the engagement.</p> <ul style="list-style-type: none"> • An audit includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, the auditor is responsible for ensuring that those charged with governance are aware of any significant deficiencies that come to his/her attention. • Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to the auditor, in the management representation letter, that the effects of any uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. <p>2.1.2 Did the auditor communicate, in writing, with management, those charged with governance, and other applicable parties, and where applicable: (GAS, 4.06-.07)</p> <ul style="list-style-type: none"> • The nature of planned work and level of assurance to be provided related to internal control over financial reporting and compliance with laws, regulations, 				

	Yes	No	N/A	Remarks and Findings
<p>and provisions of contracts or grant agreements?</p> <ul style="list-style-type: none"> • Any potential restriction on the auditors' reports, in order to reduce the risk that the needs or expectations of the parties involved may be misinterpreted? • The auditor's views about qualitative aspects of the entity's significant accounting practices? (AU 380.34, .37-.38) <p>2.1.3 If the audit was terminated before completion and a report was not issued, did the auditor document the work to the date of termination and the reason(s) for the termination and, if appropriate, communicate such information to management and those charged with governance? (GAS, 4.08)</p> <p>2.1.4 Did the auditor document the audit objectives, scope, and methodology? (AU 311.13 -.18)</p> <p>2.1.5 Did the auditor properly consider and document the following, where applicable: (AU 311.05, 339)</p> <ul style="list-style-type: none"> • An appropriately tailored, written audit plan (or audit program) that includes an overall response to risks of material misstatement and specific audit procedures responsive to risks at the assertion level? (AU 311.05) • An audit plan (or audit program) responsive to the needs of the engagement, the understanding and testing (where applicable) of internal controls, and the assessment of audit risks performed during the planning process? (AU 311.05; 319.02, .05) • Applicable assertions related to account balances, transaction classes, and presentation and disclosure in developing audit objectives, assessing risks of material misstatements, and in designing audit tests? (AU 326.09-.14) • If conditions or risk assessments changed during the audit, or a determination was 				

	Yes	No	N/A	Remarks and Findings
<p>made that sufficient audit evidence has not been obtained, was the audit plan (program) updated to reflect any significant changes made as appropriate? (AU 311.05, 316.68)</p> <p>2.1.6 Did the auditor document whether the entity's financial statements or processes contain complex or troublesome areas, significant estimates (such as environmental and legal liabilities), and areas prone to high fraud risk or high risks?</p> <p>2.1.7 In assessing risk, did the auditor consider the results of previous audits, attestation engagements, and other reviews, and evaluate whether management took appropriate corrective action on findings and recommendations that could have a material effect on the financial statements? (GAS, 4.09)</p> <p>2.1.8 Did the auditor design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that could have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives? (GAS, 4.10)</p> <p>2.1.9 Did the auditor consider materiality levels of individual items or in the aggregate that may impact the financial statements? (GAS, 4.26, SAS 107, AU 110)</p> <p>2.1.10 Did the auditor design the audit to provide reasonable assurance that financial statements are free of material misstatements, whether caused by error or fraud? Did documentation include items such as: (GAS, 4.27, SAS 99)</p> <ul style="list-style-type: none"> • An exchange of ideas or "brainstorming" among the audit team members, including the auditor with final responsibility for the audit, about how and where they believe the entity's financial statements might be susceptible to material misstatement due to fraud, how management could perpetrate and conceal fraudulent financial reporting, 				

	Yes	No	N/A	Remarks and Findings
<p>and how assets of the entity could be misappropriated?</p> <ul style="list-style-type: none"> • An emphasis on the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement due to fraud? • Discussion among the audit team members about the susceptibility of the entity’s financial statements to material misstatement due to fraud? Such discussion should include a consideration of the known external and internal factors affecting the entity that might (a) create incentives/pressures for management and others to commit fraud, (b) provide the opportunity for fraud to be perpetrated, and (c) indicate a culture or environment that enables management to rationalize committing fraud. <p>2.1.11 Did the auditor design the audit to provide reasonable assurance of detecting material misstatements resulting from illegal acts that could have a direct and material impact on the financial statements? (GAS, 4.28; AU 317.02, 317.05, 316.01)</p> <p>2.1.12 Did the auditor coordinate with investigations and inspections on matters related to ongoing investigations or legal proceedings, and evaluate the impact on the audit? (GAS, 4.29)</p> <p>2.1.13 Did the auditor use non-Federal auditors and specialists in the audit?</p> <ul style="list-style-type: none"> • Did the auditor document the planned responsibilities to be taken of non-Federal auditors’ work or the work of specialists? • Did the auditor review the most recent peer review and assess whether the non-Federal auditors’ work met professional standards? • Did the auditor review resumes to determine whether non-Federal auditors and specialists are qualified/competent? 				

	Yes	No	N/A	Remarks and Findings
<p>2.1.14 If the auditor used analytical procedures during planning, did the auditor follow the guidelines established by AU 329.06-.08, <i>Analytical Procedures</i>, and consider the following:</p> <ul style="list-style-type: none"> • Did the analytical procedures focus on enhancing the auditor's understanding of the entity's environment and the transactions and events that have occurred since the last audit date, and on identifying areas that may represent specific risks relevant to the audit? (AU 329.06) • Did the analytical procedures, combined with the auditor's knowledge of the business, serve as a basis for additional inquiries and effective planning? (AU 329.07) • Did the auditor consider both financial data and relevant non-financial information? (AU 329.08) 				
<p>2.1.15 Did auditors document, before the audit report was issued, evidence of supervisory review of the work performed supporting findings, conclusions, and recommendations contained in the report? (GAS, 4.20)</p>				
<p>2.1.16 Based on the audit documentation and discussions with the engagement team, were all reviewer questions and notes addressed?</p>				
<p>2.1.17 Was appropriate consideration given to past adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered together with likely misstatements arising in the current period? (AU 312.53)</p>				
<p>2.1.18 Did the auditor document the engagement team member(s) who performed and reviewed the audit work and the dates performed and reviewed? (AU 339.18)</p>				

	Yes	No	N/A	Remarks and Findings
<p>2.1.19 Did the audit documentation provide evidence that the auditor with final responsibility: (SAS 108)</p> <ul style="list-style-type: none"> • Communicated with members of the audit team regarding the susceptibility of the financial statements to material misstatement due to error or fraud, with special emphasis on fraud? (AU 311.29) • Emphasized to members of the audit team the need to maintain a questioning mind and to exercise professional skepticism in gathering and evaluating audit evidence? (AU 311.29) • Informed assistants of the responsibilities and the objectives of the audit? (AU 311.30) • Directed assistants to bring to his or her attention significant accounting and auditing issues raised during the audit? (AU 311.30) • Reviewed (may delegate parts of the review to others) the work performed by each assistant, and ensured the work was adequately documented and supported the conclusions presented in the auditor’s report? (AU 311.31) • Made assistants aware of the procedures to be followed when differences of opinion concerning accounting and auditing issues exist among audit team members? (AU 311.32) <p>2.2 Internal Controls (GAS, 4.03b, AU 150.02)</p> <p>2.2.1 Did audit documentation support that the auditor obtained a sufficient understanding of the entity and its environment, including internal controls, to assess the risk of material misstatement and plan the audit, and to design the nature, timing, and extent of tests to be performed? (GAS, 4.03b)</p> <p>2.3 Audit Documentation (GAS, 4.03c, 4.04c-; SAS 103; AU 150.02, 339.03)</p> <p>2.3.1 Did audit documentation support that the evidence obtained by the auditor was of a</p>				

	Yes	No	N/A	Remarks and Findings
<p>sufficient and appropriate level that would enable them to provide a reasonable basis for an opinion regarding the financial statements under audit? (GAS 4.03c)</p> <p>2.3.2 Determine the adequacy of the audit evidence and documentation by considering whether the OIG ensured that: (GAS, 4.21)</p> <ul style="list-style-type: none"> • If the auditor departed from a presumptively mandatory GAGAS requirement, the auditor documented the justification for the departure and how other procedures performed were sufficient. (GAS, 4.21) • If applicable, the auditor documented audit evidence that is contradictory or inconsistent with final conclusions, and addressed the contradiction or inconsistency. (AU 339.16-.17) <p>2.3.3 If specific information came to the auditors' attention that provided evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements, did the auditors apply audit procedures specifically directed to ascertaining whether such violations have occurred? (When the auditors conclude that a violation of provisions of contracts or grant agreements has or is likely to have occurred, they should determine the effect on the financial statements as well as the implications for other aspects of the audit.) (GAS, 4.11)</p> <p>2.3.4 If during the audit, auditors became aware of abuse that could be quantitatively or qualitatively material to the financial statements, did the auditors apply audit procedures specifically directed to ascertain the potential effect on the financial statements or other financial data significant to the audit objectives? (After performing additional work, auditors may discover that the abuse represents potential fraud or illegal acts. Because the determination of abuse is subjective,</p>				

	Yes	No	N/A	Remarks and Findings
<p>auditors are not required to provide reasonable assurance of detecting abuse.) (GAS, 4.12 -.13)</p> <p>2.3.5 When the auditor identified deficiencies, were workpapers written to include criteria, condition, cause, and effect or potential effect? (GAS, 4.14-.18)</p> <p>2.3.6 If statistical or nonstatistical sampling was used for tests of controls in the audit engagement, did the auditor consider the following professional guidelines:</p> <ul style="list-style-type: none"> • The specific objective of the test of controls, tolerable rate, allowable risk of assessing control risk too low, and characteristics of the population when planning the sample? (AU 350.31) • Whether the sample was selected in such a way that it could be expected to be representative of the population? (AU 350.39) • Whether the nature, timing and extent of planned substantive procedures were reevaluated, as appropriate, if the sample results did not support the planned assessed level of control risk for an assertion? (AU 350.40-.43) • Whether, in evaluating the sample, appropriate consideration was given to items for which the planned test of controls or alternative procedure could not be performed, for example, because the documentation was missing? (AU 350.40) <p>2.3.7 If statistical or nonstatistical sampling was used for substantive tests of details in the audit engagement, did the auditor properly consider the following:</p> <ul style="list-style-type: none"> • Whether the auditor appropriately considered the specific audit objective, preliminary judgments about materiality levels, acceptable level of risk of incorrect acceptance, and characteristics of the population when planning the sample? (AU 350.16) 				

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> • Whether the sample was selected in such a way that it could be expected to be representative of the population? (AU 350.24) • Whether the misstatements in the sample were projected to the population from which the sample was selected? (AU 350.26) • Whether, in evaluating the sample, appropriate consideration was given to items for which the planned substantive tests or alternative procedures could not be performed? (AU 350.25) • Whether appropriate consideration was given, in the aggregate, to projected misstatements resulting from all audit sampling applications and to all known misstatements from non-sampling applications in evaluating whether the financial statements taken as a whole may be materially misstated? (AU 350.30) <p>2.3.8 If the auditor used analytical procedures in the review stages of the audit, did the auditor properly consider professional guidelines regarding such procedures? (AU 329.09-23) Consider the following:</p> <ul style="list-style-type: none"> • The effectiveness and efficiency of analytical procedures, the plausibility and predictability of data relationship, and the availability and reliability of the data; (AU 329.09-19) • If substantive analytical procedures indicated a misstatement might exist, a request for management to investigate, and if necessary, expanded audit procedures to determine whether such misstatement did exist; (AU 329.20-21) • Proper documentation of the use of analytical procedures that are used as the principal substantive test of a significant financial statement assertion; (AU 329.22) • Use of analytical procedures in the overall review stage of the 				

	Yes	No	N/A	Remarks and Findings
<p>audit. (AU 329.23)</p> <p>2.3.9 Were specific procedures for determining the existence of intra-governmental transactions and examining identified related parties applied? (AU 334)</p> <p>2.3.10 Did the auditor properly consider and document the procedures applied to material accounting estimates, where applicable? Consider the following:</p> <ul style="list-style-type: none"> • An evaluation of the reasonableness of significant accounting estimates made by management; (AU 342) • Acknowledgment that management has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented and has concluded that any uncorrected misstatements are immaterial both individually and in the aggregate, to the financial statements taken as a whole. (AU 333.06g) <p>2.3.11 If the auditor's procedures disclosed instances or indications of illegal acts, did the auditor apply procedures and evaluate the results of those procedures in accordance with professional standards? (AU 317) Consider:</p> <ul style="list-style-type: none"> • Follow up in accordance with professional standards; (AU 317.10-11) • Communications directly with those charged with governance if the illegal act(s) involved senior management, and document that communication, and obtain assurance that all other illegal acts that came to the auditor's attention, except those that are clearly inconsequential, were adequately communicated; (AU 317.17) • The implications of the detected illegal act in relation to other aspects of the audit, including the reliability of the client's representations. (AU 317.16) <p>2.3.12 Did the auditor consider information and</p>				

	Yes	No	N/A	Remarks and Findings
<p>apply appropriate professional guidance with respect to events occurring subsequent to the date of the audit report? Consider the following:</p> <ul style="list-style-type: none"> • Did the auditor consider appropriate procedures regarding events subsequent to the balance sheet date, through the date of the auditor’s report? (AU 560.10) • Did the auditor give appropriate consideration to additional evidence that became available prior to the issuance of the financial statements? (AU 560.03) • If the auditor became aware, subsequent to the report date, of information that may have existed at the report date and that might have affected the audit report on the financial statements had the auditor then been aware of such information, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU 561) • If there is an indication that the auditor concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the circumstances were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU 390) • If there was a delay in releasing the audit report, did the auditor perform additional procedures to comply with the requirement of AU Section 560, Subsequent Events, as amended? (AU 339.23) <p>2.3.13 Did the auditor substantively meet the professional standards regarding auditor communications as follows:</p> <ul style="list-style-type: none"> • Any significant difficulties encountered during the audit? (AU 380.34b, .39) 				

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> • Any disagreements with management? (AU 380.34d, .42) • Corrected and uncorrected misstatements, other than those that are trivial, brought to management’s attention as a result of the audit? (AU 380.34c, .35a, 40–41) • Representations the auditor has requested from management? (AU 380.35b) • Management’s consultation with other accountants, if any? (AU 380.43) • Any significant issues arising from the audit that were discussed or communicated to management? (AU 380.44) • Any other findings or issues considered significant or relevant to those charged with governance regarding their oversight of the financial reporting process, such as any threats to auditor independence? (AU 380.34, 45-47) • Establish a mutual understanding by communicating the form, timing, and expected content of the auditor’s communication with those charged with governance? (AU 380.48–.50) • Communicate, in a timely manner, and in writing, the significant audit findings when, in the auditor’s judgment, oral communication would not be adequate; and include in the written communication a restriction on the use of the communication to management and those charged with governance? (AU 380.51-58) • Documented the information communicated, if the communication was oral, by appropriate memoranda or notations in the audit documentation? (AU 380.64) <p>2.3.14 For audit areas that the auditor considers significant or material, did the auditor prepare audit documentation in sufficient</p>				

	Yes	No	N/A	Remarks and Findings
<p>detail to provide a clear understanding of the work performed? For those areas, the documentation should include:</p> <ul style="list-style-type: none"> • The nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements; • The results of the audit procedures performed and the audit evidence obtained; • The conclusions reached on significant matters; • That the accounting records agree or reconcile with the audited financial statements or other audited information. <p>Listed below are examples of account classifications or audit areas that may be significant to the financial statements. The principal auditor may have identified other accounts or audit areas that are significant that the peer reviewer should consider when reviewing the audit documentation.</p> <ol style="list-style-type: none"> 1. Fund Balance with Treasury (FBWT) <input type="checkbox"/> Not a significant audit area 2. Cash <input type="checkbox"/> Not a significant audit area 3. Accounts Receivables <input type="checkbox"/> Not a significant audit area 4. Other Receivables <input type="checkbox"/> Not a significant audit area 5. Stockpile Materials <input type="checkbox"/> Not a significant audit area 6. Property, Plant, and Equipment <input type="checkbox"/> Not a significant audit area 7. Inventories and Related Property <input type="checkbox"/> Not a significant audit area 8. Investments <input type="checkbox"/> Not a significant audit area 				

	Yes	No	N/A	Remarks and Findings
9. Property, Plant, and Equipment <input type="checkbox"/> Not a significant audit area				
10. Other Properties <input type="checkbox"/> Not a significant audit area				
11. Accounts Payable and Accrued Liabilities <input type="checkbox"/> Not a significant audit area				
12. Capital Leases <input type="checkbox"/> Not a significant audit area				
13. Pensions and Other Post-Employment Benefits <input type="checkbox"/> Not a significant audit area				
14. Other Liabilities <input type="checkbox"/> Not a significant audit area				
15. Commitments and Contingencies <input type="checkbox"/> Not a significant audit area				
16. Revenues <input type="checkbox"/> Not a significant audit area				
17. Costs <input type="checkbox"/> Not a significant audit area				
18. Unexpended Appropriations <input type="checkbox"/> Not a significant audit area				
19. Cumulative Results of Operation <input type="checkbox"/> Not a significant audit area				
20. Budgetary Financing Sources <input type="checkbox"/> Not a significant audit area				
21. Other Financing Sources <input type="checkbox"/> Not a significant audit area				
22. Earmarked Funds <input type="checkbox"/> Not a significant audit area				
2.3.15 Did the auditor obtain written, timely and appropriate representations from management for all periods for which financial statements are included as covered in the auditor's report? (AU 333) Consider the following: <ul style="list-style-type: none"> • The representation letter was dated as of the date as of the auditor's 				

	Yes	No	N/A	Remarks and Findings
<p>report; (AU 333.09)</p> <ul style="list-style-type: none"> • The letter disclosed acknowledgment that management has considered the financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented, and has concluded that any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; (AU 333.06g) • The letter disclosed management’s representations related to fraud; (AU 333.06h-j) • The management representation letter was signed by the appropriate agency personnel; (AU 333.10) • If the entity represents that an attorney was not consulted during the year, an appropriate representation that the client has not consulted an attorney was disclosed. (AU 333.06p, 11) <p>2.3.16 Did the auditor obtain timely and appropriate responses from the entity’s attorneys concerning litigation, claims, and assessments? (AU 337.08-14)</p> <p>2.3.17 Did the auditor assemble the audit file within 60 days following the report date? (AU 339.27)</p> <p>2.3.18 Did the auditor inquire from management about the risk of fraud as follows: (SAS 99, AU 316.20)</p> <ul style="list-style-type: none"> • Whether management has knowledge of any fraud or suspected fraud affecting the entity? • Whether management is aware of allegations of fraud or suspected fraud affecting the entity, for example, received in communications from employees, former employees, investigators, or others? • Management’s understanding about the risks of fraud in the entity, including any specific fraud risks the entity has 				

	Yes	No	N/A	Remarks and Findings
<p>identified or account balances or classes of transactions for which a risk of fraud may be likely to exist?</p> <ul style="list-style-type: none"> • Programs and controls the entity has established to mitigate specific fraud risks the entity has identified, or that otherwise help to prevent, deter, and detect fraud, and how management monitors those programs and controls? • For an entity with multiple locations, (a) the nature and extent of monitoring of operating locations or business segments, and (b) whether there are particular operating locations or business segments for which a risk of fraud may be more likely to exist? • Whether and how management communicates to employees its views on business practices and ethical behavior? 				
3. Reporting Standards (GAS, 5.01 – 5.44)				
<p>3.1 Accounting Principles Followed/Observed (GAS, 5.03a-b):</p> <ul style="list-style-type: none"> • Does the audit report state whether the financial statements are presented in accordance with GAAP? (GAS, 5.03a) • Does the audit report identify those circumstances in which GAAP had not been consistently observed in the current period in relation to the preceding period? (GAS, 5.03b) <p>3.2 Disclosures (GAS, 5.03c):</p> <ul style="list-style-type: none"> • If the auditor determined that informative disclosures are not adequate, does the auditor state so in the auditor’s report? (GAS, 5.03c) <p>3.3 Expression of Opinion (GAS, 5.03d):</p> <p>3.3.1 Does the audit report contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed? (GAS, 5.03d)</p> <p>3.3.2 Is the report dated in conformity with the</p>				

	Yes	No	N/A	Remarks and Findings
<p>requirements of professional standards? (AU 530)</p> <ul style="list-style-type: none"> The audit report should be dated no earlier than the date on which the auditor has obtained sufficient audit evidence to support the financial statement opinions. (Appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity’s financial statements, including disclosures, have been prepared and that management has asserted that they have taken responsibility for them.) <p>3.3.3 Does the report appropriately include the basic elements required under professional standards, and is appropriate language used for modifying the report in the circumstances described in such standards? (AU 420.08, 508.08–.65, 623.05) Consider the following:</p> <ul style="list-style-type: none"> The title includes the word “independent”; (AU 508.08a) The report refers to all periods for which financial statements are presented; (AU 508.08, .65) A reference to the country of origin of the accounting principles used to prepare the financial statements; (AU 508.08h) The appropriate modifications for presentation of the financial statements if the basis of presentation is a comprehensive basis of accounting other than generally accepted accounting principles; (AU 623.05) A consistency explanatory paragraph to the auditor’s report is included for a change in reporting entity not resulting from a transaction or event. (AU 420.08) <p>3.3.4 If the financial statements of a prior period are presented and have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU 508.74)</p>				

	Yes	No	N/A	Remarks and Findings
<p>3.3.5 If supplementary information accompanies the basic financial statements, does the auditor describe in the report the degree of responsibility, if any, the auditor is taking? (AU 551) Consider the following:</p> <ul style="list-style-type: none"> • The report should identify the accompanying information; • The report should state that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements; • The report should include either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole, or a disclaimer of opinion, depending on whether the information has been subjected to the auditing procedures applied in the audit of the basic financial statements. <p>3.4 GAGAS Compliance (GAS, 5.04a, 5.05, 5.06):</p> <p>3.4.1 If the audit organization complied with all applicable GAGAS requirements, does the auditor’s report include a statement that the audit organization performed the engagement in accordance with GAGAS? (GAS, par. 5.05)</p> <p>3.4.2 If the audit organization did not follow all applicable GAGAS requirements, was the scope section of the report properly modified to disclose that an applicable standard was not followed, the reasons therefore, and how not following the standard affected, or could have affected, the audit results? (GAS, 1.12–.13)</p> <ul style="list-style-type: none"> • An audited entity receiving a GAGAS audit report may also request the auditor to issue a financial audit report for purposes other than complying with a GAGAS audit. GAGAS do not prohibit auditors from issuing a separate report conforming only to AICPA or other 				

	Yes	No	N/A	Remarks and Findings
standards. (GAS, 5.06)				
3.5 Internal Controls and Compliance with Laws and Regulations and Contracts and Grants (GAS, 5.04b-c, 5.07-5.22):				
3.5.1 Did the audit organization report on internal controls over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements? (GAS, 5.07)				
3.5.2 Did the audit organization state in its reports if the audit tests support an opinion on internal control over financial reporting and on compliance with laws, regulation, and provisions of contracts or grant agreements? (GAS, 5.08)				
<ul style="list-style-type: none"> • If the audit organization reports these internal control and compliance matters in a separate report from the report on the financial statements: <ol style="list-style-type: none"> (1) Did the audit organization include a reference to the separate reports in the report on the financial statements? (GAS, par. 5.08) (2) Did the audit organization include a statement that the reports on internal control and compliance are an integral part of a GAGAS audit and important in assessing the results of the audit? (GAS, 5.09) 				
3.5.3 If the audit organization issued a management letter, did the reports on internal control and compliance refer to that management letter? (GAS, 5.09)				
3.5.4 If the audit organization did not issue a management letter, but otherwise communicated inconsequential internal control deficiencies, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, did the audit organization document such communication? (GAS, 5.14, .16)				
3.5.5 If the audit documentation provides evidence of any of the following, do the reports on internal control and compliance and other matters properly report:				

	Yes	No	N/A	Remarks and Findings
<p>(GAS, 5.10-.17)</p> <ul style="list-style-type: none"> • Significant deficiencies in internal control over financial reporting, identifying those considered material weaknesses? • All instances of fraud and illegal acts unless inconsequential to the financial statements? • Violations of provisions of contracts or grant agreements that could have a material effect on the financial statements or other financial data significant to the audit? • Instances of abuse that could have a quantitatively or qualitatively material effect on the financial statements? <p>3.5.6 Did the auditor’s reports (separate or combined) on internal control and compliance and other matters based upon an audit of financial statements performed in accordance with GAGAS include all required elements as follows: (GAS, 5.07-.11)</p> <ul style="list-style-type: none"> • A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor’s report on the entity’s financial statements and, if applicable, a description of any departures from the standard report? • A statement that the audit was conducted in accordance with GAAS and an identification of the United States as the country of origin of those standards, and with the standards applicable to financial audits contained in GAGAS issued by the Comptroller General of the United States? • A statement that in planning and performing the audit, the auditor considered the entity’s internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control over 				

	Yes	No	N/A	Remarks and Findings
<p>financial reporting, and accordingly, does not express an opinion on the effectiveness of internal control over financial reporting?</p> <ul style="list-style-type: none"> • The definition of control deficiency and significant deficiency and, if applicable, a statement that deficiencies were identified that are considered to be significant deficiencies? • A statement that the consideration of internal control would not necessarily disclose all matters in internal control over financial reporting that might be significant deficiencies or material weaknesses? • If significant deficiencies are noted, a statement that certain deficiencies were identified that the auditor considers to be significant deficiencies? • If applicable, a description of the significant deficiencies identified (including the views of responsible officials and their planned corrective action) or reference to a separate schedule in which the significant deficiencies, views, and planned corrective action are described? • The definition of a material weakness? • If no significant deficiencies are identified, a statement that no material weaknesses were noted; or, if significant deficiencies are noted, a statement that the auditor’s consideration of internal control would not necessarily identify all deficiencies that might be significant deficiencies and a statement about whether the auditor believes any of the significant deficiencies are material weaknesses? • A statement that as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the auditor has performed tests of the entity’s compliance with certain provisions of laws, regulations, 				

	Yes	No	N/A	Remarks and Findings
<p>contracts, and grant agreements (noncompliance with which could have a direct and material effect on the determination of financial statement amounts)?</p> <ul style="list-style-type: none"> • A statement that the objective of the financial statement audit is not to provide an opinion on compliance with those provisions, and, accordingly, the auditor does not express such an opinion? • A statement that notes whether the results of tests disclosed instances of noncompliance or other matters that are required to be reported under GAGAS and, if they are, describes the matters (including the views of responsible officials and their planned corrective action) or refers to the separate schedule in which the noncompliance, views, and planned corrective action are described? • A statement that the auditor did not audit the entity’s responses and expresses no opinion on it if the entity’s responses (views of responsible officials and corrective action plan) to the findings are included in the report or the separate schedule of findings? • If applicable, a statement that other matters (that is, (1) deficiencies in internal control that are not significant deficiencies, and (2) immaterial violations of provisions of contracts or grant agreements and immaterial abuse, other than those that are clearly inconsequential) were communicated to the entity in a management letter? • A separate paragraph at the end of the report indicating the report is intended solely for the information and use of management as well as those charged with governance, any others within the entity, and, if applicable, legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties? • The manual or printed signature of the 				

	Yes	No	N/A	Remarks and Findings
<p>audit organization?</p> <ul style="list-style-type: none"> • The date of the auditor’s report? <p>3.5.7 If applicable, did the audit organization report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to external parties (1) when the entity fails to satisfy legal or regulatory requirements to report such information themselves, or (2) when the findings are material to the subject matter, involve funding from an other government agency, and the entity has failed to timely report such information to the funding agency? (GAS, 5.18–.19)</p> <p>3.5.8 If the entity was required to report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to outside parties and asserted that they have indeed met such requirements, did the audit organization obtain sufficient evidence, such as confirmations, to corroborate management’s assertions? (GAS, 5.20)</p> <p>3.5.9 Were engagement findings presented in accordance with the guidance in GAGAS, including the guidance on elements of a finding? (GAS, 4.14–.18, 5.21–.22)</p> <p>3.6 Significant Matters to Be Reported, Restatements, and Subsequent Events (GAS, 5.04d, 5.23-.31):</p> <p>3.6.1 Did the audit organization appropriately consider any significant matters regarding the financial statements that are worthy of emphasis and consider whether such information should be reported? (GAS, 5.23–.25)</p> <p>3.6.2 If applicable, did the audit organization advise entity management to make appropriate disclosures when the audit organization determines that (1) it is likely that previously-issued financial statements are misstated and (2) the misstatement is or reasonably could be material to the financial statements? (GAS, 5.27)</p> <p>3.6.3 When previously-issued financial</p>				

	Yes	No	N/A	Remarks and Findings
<p>statements were determined to be materially misstated, did the audit organization perform the following: (GAS, 5.27-.31)</p> <ul style="list-style-type: none"> • Evaluate the timeliness and appropriateness of the entity’s disclosure, actions to correct the misstatements, and notification of those likely relying on the misstated financial statements? • When previously issued statements are reissued, perform audit procedures sufficient to reissue or update the auditor’s report on restated financial statements? • Report directly to appropriate officials (such as those charged with governance, oversight bodies, and Federal agencies) when the audited entity fails to take the necessary steps to report to such officials? <p>3.6.4 When restated financial statements are issued, did the audit organization include an explanatory paragraph in their report and include the following (whether issued separately or as comparative statements): (GAS, 5.26-.29)</p> <ul style="list-style-type: none"> • A statement disclosing the restatement? • A statement that the previously issued auditor’s report should not be relied upon and is replaced by the auditor’s report on the restated financial statements? • A reference to the notes to the restated financial statements that discusses the restatement? • If applicable, a reference to the report on internal control that contains any significant deficiency identified that was the cause of the misstatement and uncorrected previously issued financial statements? <p>3.6.5 Did the auditor consider information and apply appropriate professional guidance with respect to events occurring subsequent to the date of the audit report? (AU 390,</p>				

	Yes	No	N/A	Remarks and Findings
<p>560, 561) Consider the following:</p> <ul style="list-style-type: none"> • Did the auditor consider appropriate procedures regarding events subsequent to the balance sheet date, through the date of the auditor's report? (AU 560.10) • Did the auditor give appropriate consideration to additional evidence that becomes available prior to the issuance of the financial statements? (AU 560.03) • If the auditor became aware, subsequent to the report date, of information that may have existed at the report date and that might have affected the audit report on the financial statements had the auditor then been aware of such information, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU 561) • If there is an indication that the auditor concluded that one or more auditing procedures considered necessary at the time of the audit of the financial statements in the circumstances then existing were omitted from the audit, did the auditor consider the guidance in professional standards in determining an appropriate course of action, and does the matter appear to be properly resolved? (AU 390) <p>3.7 Views of Responsible Officials and Report Distribution (GAS, 5.04f-h)</p> <p>3.7.1 For reported findings related to internal control deficiencies or fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, did the audit organization obtain and report the views of responsible officials as well as planned corrective action? (GAS, 5.32-.34)</p> <ul style="list-style-type: none"> • Providing a draft report with findings for review and comment helps the auditors develop a report that is fair, complete, and objective. Obtaining comments in writing is preferred, but oral comments are acceptable, such as when auditors do 				

	Yes	No	N/A	Remarks and Findings
<p>not expect major disagreements with findings, conclusions, and recommendations in the draft report. (GAS, 5.33, .36)</p> <p>3.7.2 If the views of responsible officials are inconsistent with or in conflict with the audit organization’s findings, conclusions, or recommendations, did the audit organization evaluate the validity of such comments, and did either modify their report if valid or explain the reasons for disagreement if not valid? (GAS, 5.37)</p> <p>3.7.3 If the entity refuses to provide comments or is unable to do so in a timely manner, did the audit organization indicate such in their report? (GAS, 5.38)</p> <p>3.7.4 If certain information is prohibited from public disclosure or is excluded from the report due to confidentiality or its sensitive nature, did the report state that certain information was omitted and the reason that makes the omission necessary? (GAS, 5.39-.42)</p> <p>3.7.5 Was the audit report submitted to those charged with governance, the appropriate officials of the responsible party and the appropriate oversight bodies or organizations arranging for the audit? (GAS, 5.44)</p> <p>3.7.6 When more than one independent auditor or audit organization is involved in the audit, did the principal auditor appropriately acknowledge the other auditor’s involvement using either the reference option or inclusion option in the report on internal control and compliance over financial reporting? (AU 543.03)</p>				
4. OIG Quality Control Policies and Procedures				
<p>4.1 Did the auditors follow the OIG’s quality control policies and procedures for financial audits (e.g., use of checklists, independent report referencing, etc.)? (GAS, 3.50a) Note: The adequacy of the OIG’s policies and procedures was evaluated in Appendix A. If the reviewer</p>				

	Yes	No	N/A	Remarks and Findings
concludes that the financial audit reviewed met professional standards, inadequate policies and procedures or noncompliance by the auditors with policies and procedures would ordinarily be reported as a finding in the Letter of Comment and not impact the peer review rating.				
END OF CHECKLIST				

Appendix D

Checklist for Review of Attestation Engagements Performed by the Office of Inspector General

This Appendix includes guidance for reviewing the Office of Inspector General's (OIG's) attestation engagements conducted in accordance with *Government Auditing Standards* (GAS), Chapter 6, and the American Institute of Certified Public Accountants' (AICPA's) *Statements on Standards for Attestation Engagements* (SSAE). When an auditor conducts an attestation engagement under generally accepted government auditing standards (GAGAS), the engagement must be conducted in accordance with the SSAEs and additional GAGAS standards. This appendix is not intended to replace auditor judgment, and while comprehensive, the peer review team may also wish to consult with other guidance as warranted. That guidance includes the SSAE and the AICPA's peer review checklists for attestation engagements (aicpa.org/members/div/practmon/systemreview.asp). In this regard, there are three AICPA checklists covering AICPA requirements and GAGAS: (1) *Agreed-Upon Procedures Engagement Checklist* – PRP §20,900; (2) *Other Attestation Engagement Checklist* – PRP §21,000; and (3) *Supplemental Checklist for Review of Agreed Upon Procedures and Other Attestation Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) July 2007 Revision* – PRP §21,120A.

OIG UNDER REVIEW: _____

NAME OF ENGAGEMENT: _____

CONTROL NO.: _____

TYPE OF ATTESTATION ENGAGEMENT:

_____ EXAMINATION

_____ REVIEW

_____ AGREED-UPON PROCEDURES

REVIEWER(S): _____

DATE COMPLETED: _____

	Yes	No	N/A	Remarks and Findings
<p>1. General Standards</p>				
<p>Note: In assessing compliance with the GAGAS general standards for independence, professional judgment, and competence on individual attestation engagements, the reviewer(s) should consult the OIG’s policies and procedures with respect to what is expected to be included in the attest documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and evidence of compliance may not be found in the documentation for individual attestation engagements. That being said, when assessing the attest documentation, the reviewer should be alert to issues related to compliance with the general standards for independence, professional judgment, and competence and make further inquiry as appropriate.</p>				
<p>1.1 Independence (GAS 3.02-3.15)</p> <ul style="list-style-type: none"> • Did the OIG determine that auditors assigned to the attestation engagement are free of personal impairments to independence? (GAS, 3.07) • If there were potential or actual personal impairments to independence identified prior to or during the attestation engagement, did the OIG satisfactorily resolve the conflict? If the OIG was unable to resolve the impairments, did the audit report include a modified GAGAS compliance statement? (GAS, 3.09) • If specialists were used, did the attest team assess their independence? If impairments were identified, did the attest team decline to use their work? (GAS, 3.05) • Did the OIG determine that auditors assigned to the attest team are free of impairments to external independence in both fact and appearance? (GAS, 3.10) • Did the OIG determine that it is free of impairments to organizational independence in both fact and appearance? (GAS, 3.12 – 3.15) • For impairments to independence identified after the report was issued, did the OIG assess the impact on the attestation engagement and notify management and other interested parties of the impact? (GAS, 3.06) 				

	Yes	No	N/A	Remarks and Findings
<p>1.2 Professional Judgment (GAS, 3.31-.39)</p> <ul style="list-style-type: none"> • Did the auditors exercise appropriate professional judgment in planning and performing the attestation engagement, and reporting the results? (GAS, 3.31) • Did the auditors exercise reasonable care and professional skepticism; apply professional knowledge, skills, and experience; and maintain independence, objectivity, and credibility in assigning staff, defining scope of work, gathering and analyzing evidence and documentation, and evaluating and reporting the results to ensure that the work and staff comply professional standards and ethical principles? (GAS, 3.32-.37) • Did the auditors document significant decisions affecting the objectives, scope, methodology, findings, conclusions, and recommendations resulting from professional judgment? (GAS, 3.38) <p>1.3 Competence (GAS, 3.40-3.49)</p> <ul style="list-style-type: none"> • Did the auditors collectively possess adequate professional competence (the blending of education and experience) for the tasks required? (GAS, 3.40-.42) • Did the auditors appear knowledgeable or to have accessed appropriate knowledge in subject matter and criteria of the attestation engagement and have sufficient skills appropriate for the work being performed? (GAS, 3.43) • Did the auditors have sufficient knowledge and understanding of AICPA general standard related to criteria, AICPA attestation standards (and related Statements on Standards for Attestation Engagements) related to fieldwork and reporting, and the supplemental standards of GAS? (GAS, 3.44-.45) • Did the auditors meet the 24- and 80-hour continuing professional education requirements of Government Auditing Standards, as applicable? (GAS, 3.46-.48) 				

	Yes	No	N/A	Remarks and Findings
<p>• If external specialists were used, did the auditors assess the professional qualifications of the specialists and document their findings and conclusions? (GAS, 3.49)</p> <p>1.4 Quality Control (GAS, 3.63)</p> <p>• If the auditors relied on another audit organization’s work, did the auditors request and receive a copy of and consider the impact of the other audit organization’s most recent external quality control review report and any letter of comments?</p> <p>1.5 Criteria (GAS, 6.03)</p> <p>• Did the auditors meet the following requirements related to criteria?</p> <ul style="list-style-type: none"> • Suitability of criteria. (AT 101.24) The criteria used had the following attributes: <ul style="list-style-type: none"> ○ Objectivity—Criteria should be free from bias; ○ Measurability—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter; ○ Completeness—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted; ○ Relevance—Criteria should be relevant to the subject matter. • Availability of criteria. (AT 101.33) The criteria was available in one or more of the following ways: <ul style="list-style-type: none"> ○ Available publicly; ○ Available to all users through inclusion in a clear manner in the presentation of the subject matter or in the assertion; ○ Available to all users through inclusion in a clear manner in the 				

	Yes	No	N/A	Remarks and Findings
<p style="margin-left: 40px;">auditors' report;</p> <ul style="list-style-type: none"> ○ Well understood by most users, although not formally available; ○ Available only to specific parties. 				
2. Fieldwork Standards				
<p>2.1 Was there evidence that the auditors considered the following in planning the attestation engagement: (AT 101.45)</p> <ul style="list-style-type: none"> • Criteria to be used? • Preliminary judgments about attestation risk and materiality for attest purposes? • The nature of the subject matter or the items within the assertion that are likely to require revision or adjustment? • Conditions that may require extension or modification of attest procedures? • The nature of the report expected to be issued? <p>2.2. Did the auditors establish an understanding with entity management regarding the services to be performed for the engagement? In this regard, did the auditors obtain written acknowledgement or other evidence of the entity's responsibility for the subject matter or the written assertion as it relates to the engagement objectives? (GAS, 6.06)</p> <p>Did the auditors communicate, in writing, to the appropriate officials of the entity's management, those charged with governance, and to the individuals contracting for or requesting the attestation engagement the following information, where applicable:</p> <ul style="list-style-type: none"> • The nature, timing, and extent of planned testing and reporting on the subject matter or assertion about the subject matter? (GAS, 6.07a) • The level of assurance the auditor will provide? (GAS, 6.07b) • Any potential restriction on the auditor's reports? (GAS, 6.07c) 				

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> • If the engagement was terminated before it was completed and a report was not issued, the reasons for termination? (GAS, 6.08) 				
2.3 Did the auditors evaluate whether the entity took appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter or the assertion of the attestation engagement? (GAS, 6.09)				
2.4 Did the auditors use the information gathered in regards to findings and recommendations from previous engagements in assessing risk and determining the nature, timing, and extent of current engagement work? (GAS, 6.09)				
2.5 For examination-level attestation engagements, did the auditors obtain a sufficient understanding of internal control that is material to the subject matter in planning the engagement and designing the engagement procedures to achieve the objectives of the attestation engagement? (GAS, 6.10–.12) Note: This is not required for review-level or agreed-upon procedures engagements.				
2.6 In planning examination-level attestation engagements, did the auditors design the engagement to provide reasonable assurance of detecting fraud, illegal acts, or noncompliance with provisions of contracts or grant agreements that could have a material effect on the assertion or subject matter and document the related risk factors? (GAS, 6.13a)				
2.7 For review-level or agreed-upon procedures engagements, if information came to the auditors' attention indicating that fraud, illegal acts, or violations of provisions of contracts or grant agreements may have occurred, did the auditors consider whether the possible fraud, illegal acts, or violation of provisions of contracts or grant agreements could materially affect the results of the				

	Yes	No	N/A	Remarks and Findings
engagement? (GAS, 6.13b)				
2.8 For review-level or agreed-upon procedures engagements, if the auditors determined that the possible fraud, illegal acts, or violation of provisions of contracts or grant agreements could materially affect the results of the engagement, did the auditors extend the audit steps and procedures, as necessary, to (1) determine if fraud, illegal acts, violations of provisions of contracts or grant agreements, were likely to have occurred and, if so, (2) determine their effect on the results of the attestation engagement? (GAS, 6.13b)				
2.9 For all levels of attestation engagements, if auditors became aware of indications of possible abuse that could be quantitatively or qualitatively material, did the auditors apply procedures to determine the potential effect on the subject matter or other data significant to the engagement objectives? (GAS, 6.13c-14)				
2.10 If deficiencies in internal control, fraud, illegal acts, or violations of contracts or grant agreements were identified, did the auditors plan and perform procedures to develop the findings to contain the elements of criteria, condition, cause, and effect or potential effect, as applicable to the attestation engagement objectives? (GAS, 6.15)				
2.11 Does the attest documentation contain sufficient information to enable an experienced auditor having no previous connection with the attestation engagement to understand from the documentation the nature, extent, and results of procedures performed; the evidence obtained and its source; and the auditors' significant judgments and conclusions? (GAS, 6.21)				
2.12 Does the attestation engagement documentation contain the following: <ul style="list-style-type: none"> • The objectives, scope, and methodology of the attestation engagement? (GAS, 6.22a) 				

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> • The work performed to support significant judgments and conclusions, including descriptions of transactions and records examined? (GAS, 6.22b) • Evidence of supervisory reviews, before the attestation engagement report is issued, of the work performed that supports findings, conclusions, and recommendations in the report? (GAS, 6.22c) • The auditors' consideration that planned attestation engagement procedures are designed to achieve the engagement objectives when engagement evidential matter is dependent on computer information systems, is material to the engagement objective, and the audit organization is not relying on the effectiveness of the internal control over those systems that produced the evidence? (GAS, 6.22d) • The rationale for determining the nature, timing, and extent of planned attestation procedures; the kinds and competence of available evidence produced outside a computerized information system or plans for direct testing of data produced from such a system or both; and the effect on the attestation report if evidence does not afford a reasonable basis for achieving the engagement objectives? (GAS, 6.22d) <p>2.13 Did the auditors obtain written representations from management when appropriate, and were the applicable elements included in the representation letter? The reviewer should refer to AT 201.37-.38, 401.10h, 501.52, or 601.68 for requirements and guidance related to representations for the various types of attestation engagements.</p> <p>2.14 If the auditors requested a representation letter and management refused to sign such a letter, did the auditors disclose in the report the inability to obtain representations, or take other appropriate actions? (AT 201.39, 501.53, or 601.69)</p>				

	Yes	No	N/A	Remarks and Findings
2.15 If the auditors did not comply with applicable GAGAS requirements (mandatory requirements and presumptively mandatory requirements where alternative procedures were not sufficient to achieve the standard’s objectives), did the attestation documentation include the departure, its impact on the engagement, and the impact on their conclusions? (GAS, 6.23)				
3. Reporting Standards				
<p>3.1 Did the auditors’ attestation engagement report conform with the following AICPA reporting standards: (GAS, 6.30)</p> <ul style="list-style-type: none"> • The auditors identified the subject matter or the assertion being reported on and state the character of the engagement in the report? • The auditors stated the auditors’ conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated in the report? • The auditors stated all of the auditors’ significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto in the report? • The auditor stated in the report the report is intended for use by specific parties when appropriate? <p>Note: The reviewer should consult (1) AT 101.84-.86 for required elements of reports for <u>examination-level</u> attestation engagements, (2) AT 101.88-.90 for required elements of reports for <u>review-level</u> attestation engagements, and (3) AT 201.31 for required elements of reports for <u>agreed-upon procedures</u> engagements.</p>				
3.2 If the auditors complied with all applicable GAGAS requirements, does the attestation engagement report include a statement that the audit organization performed the engagement in accordance with GAGAS? (GAS, 6.32)				

	Yes	No	N/A	Remarks and Findings
<p>3.3 If the auditors did not follow all applicable GAGAS requirements, was the scope section of the report properly modified to disclose that an applicable standard was not followed, the reasons therefore, and how not following the standard affected (or could have affected) the attestation engagement results? (GAS, 1.12–.13)</p> <p>3.4 If the attest documentation provides evidence of any of the following, do the reports properly report: (GAS, 6.33–.38)</p> <ul style="list-style-type: none"> • Significant deficiencies in internal control, identifying those considered material weaknesses? • All instances of fraud or illegal acts unless clearly inconsequential? • Violations of provisions of contracts or grant agreements that have a material effect on the subject matter? • Instances of abuse that are either quantitatively or qualitatively material to the subject matter? <p>3.5 If the auditors identified and communicated internal control deficiencies that have an inconsequential effect on the subject matter and communicated such deficiencies, was the communication documented? (GAS, 6.35)</p> <p>3.6 If applicable, did the auditors report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, in accordance with OIG policies and procedures? (GAS, 6.39–.41) Note: The GAGAS requirements in the cited paragraphs are principally directed to external audit organizations as opposed to a Federal OIG.</p> <p>3.7 Were engagement findings presented in accordance with the guidance in GAGAS, including the guidance on elements of a finding, and by placing the findings in proper perspective? (GAS, 6.15–.19 and 6.42–.43)</p> <p>3.8 For reported findings related to internal</p>				

	Yes	No	N/A	Remarks and Findings
<p>control deficiencies or fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, did the auditors obtain and report the views of responsible officials as well as planned corrective action? (GAS, 6.44–.45)</p> <p>3.9 If the views of responsible officials are inconsistent with or in conflict with the auditors’ findings, conclusions, or recommendations, did the auditors evaluate the validity of such comments and either modify their report if valid or explain the reasons for disagreement if not valid? (GAS, 6.49)</p> <p>3.10 If the entity refuses to provide comments or is unable to do so in a timely manner, did the auditors indicate such in their report? (GAS, 6.50)</p> <p>3.11 If certain information is prohibited from public disclosure or is excluded from the report due to confidentiality or its sensitive nature, did the attestation engagement report state that certain information was omitted and the reason that makes the omission necessary? (GAS, 6.51)</p> <p>3.12 Was the attestation engagement report submitted to those charged with governance, the appropriate officials of the responsible party, and the appropriate oversight bodies or organizations arranging for the attestation engagement? (GAS, 6.56)</p>				
4. OIG Quality Control Policies and Procedures				
<p>4.1 Did the auditors follow the OIG’s quality control policies and procedures for attestation engagements (e.g., use of checklists, independent report referencing, etc.)? (GAS, 3.50a) Note: The adequacy of the OIG’s policies and procedures was evaluated in Appendix A. If the reviewer concludes that the attestation engagement met professional standards, inadequate policies and procedures or noncompliance by the auditors with policies and procedures would ordinarily be</p>				

APPENDIX D: CHECKLIST FOR REVIEW OF ATTESTATION ENGAGEMENTS PERFORMED
BY THE OFFICE OF INSPECTOR GENERAL

	Yes	No	N/A	Remarks and Findings
reported as a finding in the Letter of Comment and not impact the peer review rating.				
END OF CHECKLIST				

Appendix E

**Checklist for Review of Performance Audits
Performed by the Office of Inspector
General**

OIG UNDER REVIEW
& PERIOD REVIEWED:

NAME OF AUDIT:

CONTROL NO.:

REVIEWER(S):

DATE COMPLETED:

	Yes	No	N/A	Comment
<p>1. General Standards</p> <p>Note: In assessing compliance with the generally accepted government auditing standards (GAGAS) general standards for independence, professional judgment, and competence on individual performance audits, the reviewer(s) should consult the reviewed Office of Inspector General's (OIG's) policies and procedures with respect to what is expected to be included in the audit documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and evidence of compliance may not be found in the audit file for individual audits. When assessing the documentation, the reviewer should be alert to issues related to compliance with the general standards for independence, professional judgment, and competence, and make further inquiry as appropriate. Organization-wide testing of some or all aspects of the general standards may be accomplished at Appendix B and not tested at individual audits. It is up to the audit team to determine the nature and extent of the testing required based on the OIG's policies and procedures.</p>				
<p>1.1 Independence (GAS, 3.02-3.15)</p> <ul style="list-style-type: none"> • Did the OIG determine that auditors assigned to the audit are free of personal impairments to independence? (<i>Government Auditing Standards (GAS), 3.07</i>) • If there were potential or actual personal impairments to independence identified prior to or during the audit, did the OIG satisfactorily resolve the conflict? If the OIG was unable to resolve the impairments, did the audit report include a modified GAGAS compliance statement? (GAS, 3.09) • If other auditors or specialists were used, did the audit team assess their independence? If impairments were identified, did the audit team decline to use their work? (GAS, 3.02 and 3.05) • Did the OIG determine that auditors assigned to the audit are free of impairments to external independence in both fact and appearance? (GAS, 3.10) • Did the OIG determine that it is free of impairments to organizational independence in both fact and appearance? (GAS, 3.12-.15) • For impairments to independence identified after the report was issued, did the OIG assess the impact on the audit and notify management and other 				

	Yes	No	N/A	Comment
interested parties of the impact? (GAS, 3.06)				
<p>1.2 Professional Judgment (GAS, 3.31-39)</p> <ul style="list-style-type: none"> • Did the audit team exercise appropriate professional judgment in planning and performing the audit, and reporting the results? (GAS, 3.31) • Did the audit team exercise reasonable care and professional skepticism; apply professional knowledge, skills, and experience; and maintain independence, objectivity, and credibility in assigning staff, defining scope of work, gathering and analyzing evidence and documentation, and evaluating and reporting the results to ensure that the work and staff comply with professional standards and ethical principles? (GAS, 3.32-37) • Did the audit team document significant decisions affecting the objectives, scope, methodology, findings, conclusions, and recommendations resulting from professional judgment? (GAS, 3.38) 				
<p>1.3 Competence (GAS, 3.40-3.49)</p> <ul style="list-style-type: none"> • Did the assigned audit team collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment? In making this determination, consider whether the assigned staff collectively possessed: knowledge of GAGAS applicable to the type of work they are assigned and the education, skills, and experience to apply this knowledge to the work being performed; general knowledge of the environment in which the audited entity operates and the subject matter under review; skills to communicate clearly and effectively; and skills appropriate for the work being performed (e.g., skills related to statistical sampling, information technology, 				

	Yes	No	N/A	Comment
<p>engineering, specialized audit methodologies or analytical techniques, or specialized knowledge in subject matters). (GAS, 3.43)</p> <ul style="list-style-type: none"> • Did the audit team members meet the GAGAS requirements for Continuing Professional Education? (Step may be tested here or as part of Appendix B.) (GAS, 3.46-.48) • If external specialists were used, did the audit team assess the professional qualifications of the specialists and document their findings and conclusions? (GAS, 3.49) 				
2. Field Work Standards – Planning				
<p>2.1 Is there a written audit plan or planning documents? (GAS, 7.06, 7.50)</p> <ul style="list-style-type: none"> • Does the audit plan document the audit objectives, scope, and methodology? (GAS, 7.50, 7.80) • Was the audit plan updated to reflect any significant changes made to the plan during the audit? (GAS, 7.50) 				
<p>2.2 Determine if the audit team:</p> <ul style="list-style-type: none"> • Designed the methodology to: <ul style="list-style-type: none"> • Obtain sufficient, appropriate evidence to address the audit objectives; (GAS, 7.10) • Reduce audit risk to an acceptable level; (GAS, 7.10) • Provide reasonable assurance that the evidence is sufficient and appropriate to support the auditors’ findings and conclusions; (GAS, 7.10) • Identified potential criteria needed to evaluate matters subject to audit; (GAS, 7.12, 7.37) • Identified sources of audit evidence and determined the amount and type of evidence needed given audit risk and 				

	Yes	No	N/A	Comment
<p>significance; (GAS, 7.12, 7.39)</p> <ul style="list-style-type: none"> • Evaluated whether to use the work of other auditors to address some of the audit objectives. If the work of other auditors was used, did the audit team perform procedures that provided a sufficient basis for using that work? Did those procedures include requesting the other audit organization’s latest peer review report and any letter of comment? (GAS, 3.63, 7.12, 7.41-7.42) • Obtained an understanding of the qualifications and independence of specialists, if intended to be used. (GAS, 7.43) • Documented the nature and scope of the work to be performed by specialists, if intended to be used. (GAS, 7.45) • Communicated about planning and performance of the audit to management officials, those charged with governance, and others as applicable. (GAS, 7.12, 7.46) 				
<p>2.3 Did the audit team’s assessment of audit risk and significance reflect consideration of the following: (GAS, 7.07, 7.11)</p> <ul style="list-style-type: none"> • The nature and profile of the programs and the needs of potential users of the audit report? (GAS, 7.13–7.15) • Internal control as it relates to the specific objectives and scope of the audit? (GAS, 7.16–7.22) • Information systems general and application controls within the context of the audit objectives? (GAS, 7.23-7.27) • Legal and regulatory requirements, contract provisions or grant agreements, potential fraud, or abuse that are significant within the context of the audit objectives? (GAS, 7.28–7.35) • The results of previous audits and attestation engagements that directly 				

	Yes	No	N/A	Comment
relate to the current audit objectives? (GAS, 7.36)				
<p>2.4 Did the audit team assess and document the risk of fraud significant within the context of the audit objective? (GAS, 7.30)</p> <ul style="list-style-type: none"> • If potential, significant, fraud risk factors are identified, did the audit team design procedures to provide reasonable assurance of detecting fraud? (GAS, 7.31) • If information came to the auditors' attention indicating significant fraud may have occurred, did the audit team develop additional audit procedures to determine whether fraud has likely occurred and its effect on the audit findings? (GAS, 7.32) Note: If the fraud that may have occurred is not significant within the context of the audit objectives, the auditors may conduct additional audit work as a separate engagement, or refer the matter to other parties with oversight responsibility or jurisdiction. 				
2.5 Did the audit team avoid interference with investigations or legal proceedings? (GAS, 7.35)				
3. Field Work Standards – Supervision				
3.1 Is there evidence that the OIG's supervisor directed and supervised staff? (GAS, 7.52)				
<p>3.2 Did the supervisor document reviews of audit work? (GAS, 7.80c)</p> <ul style="list-style-type: none"> • Did the level of supervision provided to the audit staff appear appropriate considering the knowledge and experience of the staff and complexity of the audit? (GAS, 7.54) • Was there evidence of supervisory review, before the audit report was issued, of the work performed that supports findings, conclusions, and 				

	Yes	No	N/A	Comment
recommendations contained in the audit report? (GAS, 7.80c)				
4. Field Work Standards – Obtaining Sufficient, Appropriate Evidence and Audit Documentation				
<p>4.1 Was the audit evidence sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions? (GAS, 7.57, 7.68) Specifically, did the audit team:</p> <ul style="list-style-type: none"> • Perform sufficient work to evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAS, 7.61) • Choose a sampling method appropriate to answering the audit objectives? (GAS, 7.63) • Perform sufficient work to determine the reliability of information obtained from officials of the audited entity? (GAS, 7.64) • Perform sufficient procedures to evaluate the effectiveness of internal controls, including information systems controls? (GAS, 7.16, 7.65) • Apply additional procedures, as necessary, to overcome limitations or uncertainties in evidence significant to the audit findings and conclusions? (GAS, 7.71) • Document its overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence? (GAS, 7.68) • Prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous 				

	Yes	No	N/A	Comment
connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of procedures performed, the audit evidence obtained and its source and the conclusions reached? (GAS, 7.77)				
4.2 Did the audit team develop the elements of a finding necessary to address the audit objectives, and when appropriate, recommendations for corrective action? (GAS, 7.72)				
4.3 Did the audit staff clearly document the: <ul style="list-style-type: none"> • Work performed to support significant judgments and conclusions, including descriptions of transactions and records examined? (GAS, 7.80b) • Team member(s) who performed and reviewed the audit work and the dates performed and reviewed? (GAS, 7.80c) 				
4.4 If abuse was detected, did the audit team gather evidence to determine the effect on the program under audit within the context of the audit objectives? (GAS, 7.34)				
4.5 Based on the risk assessment, did the auditors adequately test compliance with laws, regulations, or other compliance requirements that were identified as having a significant effect on the audit objectives? (GAS, 7.28)				
4.6 Have all mandatory or presumptively mandatory GAGAS requirements been met or achieved by alternate procedures? If not, were the reasons for departures from GAGAS documented? (GAS, 7.81)				
4.7 Were the OIG's policies and procedures for the safe custody and retention of audit documentation followed on the reviewed audit? (GAS, 7.82)				

	Yes	No	N/A	Comment
5. Reporting Standards				
5.1 Did the audit report explain the audit’s objectives in a clear, specific, neutral, and unbiased manner? (GAS, 8.10)				
5.2 Did the audit report explain the reason(s) for undertaking the audit? (GAS, 8.10)				
5.3 Did the audit report clearly explain the audit’s scope, including: <ul style="list-style-type: none"> • The relationship between the population and the items tested? (GAS, 8.12) • Organizations, geographic locations, and the period covered by the audit? (GAS, 8.12) • The kinds and sources of evidence used? (GAS, 8.12) • If applicable, any significant limitations or constraints imposed on the auditors, including information limitations or denials of access or uncertainties based on the auditors’ overall assessment of the sufficiency and appropriateness of the evidence? (GAS, 8.11, 8.15) 				
5.4 Did the audit report clearly explain how the audit’s methodology and how the completed audit work supports the audit objectives including: (GAS, 8.13) <ul style="list-style-type: none"> • Evidence gathering and analysis techniques used? • Significant assumptions made in conducting the audit? • Comparative techniques applied? • Criteria used? • When sampling significantly supports the auditors’ findings, conclusions, or recommendations, a description of the sampling design and why it was chosen, including whether the results can be projected to the intended population? 				

	Yes	No	N/A	Comment
<p>5.5 Did the audit report contain clearly developed findings and related recommendations that addressed each audit objective? (GAS, 8.14)</p> <ul style="list-style-type: none"> • Were the elements of the finding (condition, criteria, cause, and effect) presented to the extent necessary to address the audit objectives? (GAS, 8.14) • Were the findings placed in perspective by describing the nature and extent of the issues being reported and the extent of work that resulted in the findings? (GAS, 8.16) • Were conclusions clearly stated and logically supported by the findings? (GAS, 8.27) • Do recommendations flow logically from the findings and conclusions, are they directed at resolving the cause of the identified problems, and do they clearly state the actions recommended? (GAS, 8.14, 8.28) 				
<p>5.6 Did the audit report describe the auditors' scope of work on internal control and any deficiencies in internal control that were significant within the context of the audit objectives? (GAS, 8.19)</p>				
<p>5.7 Where applicable, were likely or potential instances of fraud, illegal acts, significant violations of provisions of contracts, or significant abuse reported? (GAS, 8.21)</p>				
<p>5.8 Were violations of provisions of contracts or grant agreements, or abuse that were not significant, also communicated in writing to officials of the audited entity (unless the findings are inconsequential)? (GAS, 8.22)</p>				
<p>5.9 Did the audit comply with all applicable GAGAS requirements?</p> <ul style="list-style-type: none"> • If so, was the unmodified GAGAS compliance statement included in the 				

	Yes	No	N/A	Comment
<p>audit report? (GAS, 8.30)</p> <ul style="list-style-type: none"> If not, was the GAGAS statement modified to state which standards were not followed or whether GAGAS was not followed at all? (GAS, 8.31) 				
<p>5.10 Did the audit report include the views of the responsible officials? (GAS, 8.32)</p> <ul style="list-style-type: none"> Was a copy of the responsible officials' written comments (or a summary) included in the audit report? (GAS, 8.33) If oral comments were provided, was a summary of the oral comments prepared and provided to the responsible officials for verification? (GAS, 8.33) If technical comments were received, did the audit report disclose that these comments were provided? (GAS, 8.34) 				
<p>5.11 Did the auditors include an evaluation of management comments in the audit report and, if necessary, evaluate the validity of the comments and explain any reasons for disagreement? (GAS, 8.34, 8.36)</p>				
<p>5.12 If the audited entity refused to provide comments or did not provide comments within a reasonable time, did the audit report disclose the fact that the audited entity did not provide comments to the audit report? (GAS, 8.37)</p>				
<p>5.13 Where applicable, did the audit report disclose that certain pertinent information was excluded due to the confidential or sensitive nature of the information and why the omission was necessary? (GAS, 8.38)</p>				
<p>5.14 Did the audit team distribute the audit report for use by appropriate officials? (GAS, 8.43)</p>				

	Yes	No	N/A	Comment
6. OIG Quality Control Policies and Procedures				
<p>6.1 Did the auditors follow the OIG’s quality control policies and procedures for performance audits (e.g., use of checklists, independent report referencing, etc.)? (GAS, 3.50a) Note: The adequacy of the OIG’s policies and procedures was evaluated in Appendix A. If the reviewer concludes that the performance audit reviewed met professional standards, inadequate policies and procedures or noncompliance by the auditors with policies and procedures would ordinarily be reported as a finding in the Letter of Comment and not impact the peer review rating.</p>				
END OF CHECKLIST				

Appendix F

Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm

Note to Review Team: This Appendix provides guidance for the review of monitoring by the Office of Inspector General (OIG) of contracted audit or attest work performed by an independent public accounting firm (IPA) where the IPA served as the principal auditor. Section 4(b) of the Inspector General Act of 1978, as amended (5 U.S.C. Appendix 3) requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors such as IPAs. The act also requires OIGs to ensure that the work of non-Federal auditors adhere to generally accepted government auditing standards (GAGAS). Please also note that IPA monitoring conducted by an OIG is not an audit and does not need to comply with GAGAS. All references to GAGAS within this checklist are for informational purposes only. Additionally, the term “audit” in this checklist is meant to refer to both audit and attestation engagements, as appropriate.

This checklist is not applicable to audits or attestation engagements where the reviewed OIG served as the principal auditor and engaged an IPA to perform part of the work. For these engagements, the peer review team should use Appendix C, Appendix D, or Appendix E, as applicable. It is also not intended that the peer review team review the IPA’s work.

OIG UNDER REVIEW
& PERIOD REVIEWED: _____

NAME OF CONTRACTED
AUDIT OR ATTESTATION
ENGAGEMENT: _____

CONTROL NO.: _____

REVIEWER(S): _____

DATE COMPLETED: _____

	Yes	No	N/A	Remarks and Findings
1. Contracting Process (Note: Sources of guidance for this section include the Federal Acquisition Regulation and <i>Government Auditing Standards</i>)				
1.1 Were the auditors engaged to perform the audit licensed certified public accountants or persons working for a licensed certified public accounting firm?				
1.2 As part of the contracting process, did the OIG consider the following: <ul style="list-style-type: none"> • Qualifications and experience of the IPA? • Qualifications and experience of the proposed staff? • Technical approach? • Independence of the IPA, to consider any existing, ongoing, or planned nonaudit services? • Description of the IPA’s system of quality control? • IPA’s latest peer review report, any letter of comment or Finding for Further Consideration (FFC) form(s) and the IPA’s response to those comments or FFC forms?¹ Note: As discussed in GAS, 3.62, IPAs seeking to enter into a contract to perform GAGAS audits should provide the party contracting for such services with their most recent peer review report and any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract. As discussed in GAS, 3.63, OIGs should be requesting such reports and any letter of comment. For peer review reports older than 1 year, OIGs may also consider obtaining additional information about the IPA’s system of quality control; for example, the IPA’s annual summary of the results of its monitoring procedures required by GAS, 3.54. 				

¹ For external peer reviews conducted pursuant to standards established by the American Institute of Certified Public Accountants on or after January 1, 2009, a letter of comment is no longer issued for conditions noted by the review team that are not considered to be a deficiency or significant deficiency in the design of or compliance with the IPA’s system of quality control. Instead, the review team is to record conditions that do not rise to the level of a deficiency or significant deficiency on FFC forms, which are filed with the administering agency for the peer review program.

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> • References from other clients (i.e., other Federal audit organizations)? • Audit scope and objectives? • Requirement to perform the audit in accordance with Government Auditing Standards and applicable statutory, regulatory, and OMB requirements? • Establishment of milestones for completion of the audit (or major portions) and the submission of deliverables? • Provisions for the submission and review of deliverables and access to the audit documentation by the OIG and the Government Accountability Office? 				
2. Planning and Monitoring the Work of the IPA (Note: Sources of additional guidance for this section include American Institute of Certified Public Accountants auditing standards AU sections 504 and 543 and Government Accountability Office and the President’s Council on Integrity and Efficiency (PCIE) Financial Audit Manual, Section 650)				
2.1 Determine the degree of responsibility the OIG accepted with respect to using the work of the IPA. This determination can be made by, for example, reviewing the OIG’s contract planning documentation, the contract statement of work, the final audit report and transmittal, etc.				
2.2 Based on the degree of responsibility accepted, did the OIG develop a reasonable strategy and plan, either as part of its policies and procedures or as a separate document, for monitoring and accepting the IPA’s work?				
2.3 Did the OIG carry out the strategy and plan in a reasonable manner? Some possible steps the OIG may perform include: <ul style="list-style-type: none"> • Participating in periodic status meetings. • Reviewing the IPA’s audit planning documents for consistency with the contract and GAGAS, and resolving any inconsistencies. • Reviewing contract deliverables for consistency with the contract requirements and GAGAS in a timely manner. • Reviewing the IPA’s audit documentation 				

APPENDIX F: CHECKLIST FOR REVIEW OF MONITORING OF AUDIT WORK PERFORMED
BY AN INDEPENDENT PUBLIC ACCOUNTING FIRM

	Yes	No	N/A	Remarks and Findings
<p>and reports for adherence to GAGAS.</p> <ul style="list-style-type: none"> • Monitoring adherence to milestones as needed. • Monitoring significant audit and accounting issues. • Performing supplemental audit tests, if warranted by the degree of responsibility the OIG accepted as identified in 2.1. 				
3. Concluding on the Adequacy of the IPA Monitoring				
3.1 Based on the intended use and audience of the IPA's work, the degree of responsibility accepted by the OIG with respect to that work, and the monitoring performed, did the OIG perform adequate procedures to ensure that the work of the IPA adhered to GAGAS?				
END OF CHECKLIST				