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

**March 2020**

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**Message from the Chair of the Council of the Inspectors General on**

**Integrity and Efficiency Audit Committee**

**March 2020**

Work conducted by Offices of Inspectors General (OIGs) and other Federal audit organizations provides important accountability and transparency over government programs. To help auditors fulfill their oversight roles and comply with statutory requirements, professional standards, and established policies and procedures, a peer review of an OIG audit organization is required by generally accepted government auditing standards (GAGAS) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

The March 2020 *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (March 2020 Guide) implements the CIGIE Audit Committee’s peer review program. The Guide provides CIGIE members with information on the implementation of peer review requirements from CIGIE and *Government Auditing Standards*. Pursuant to its charter, the CIGIE Audit Committee administers the peer review program for OIGs. The March 2020 Guide is based on (1) changes adopted by the CIGIE Audit Committee and described in its policy statement and (2) the July 2018 revision to *Government Auditing Standards*; it supersedes the September 2014 Guide. The March 2020 Guide:

* Updates the peer review guidance and related appendices for requirements established in the 2018 *Government Auditing Standards* and covers the External Peer Review and the Modified Peer Review.
* Consolidates materials for the peer reviews in Section 2: Guide for Conducting Peer Reviews and the related illustrative materials in Section 3: Peer Review Illustrative Materials.
* Removes duplicative materials and includes a general refresh of all materials.

This revision of the peer review guidance has gone through an extensive deliberative process, including comments and input from members of CIGIE, the Federal Audit Executive Committee, and Federal audit organizations who use or who have an interest in the guidance. The March 2020 revision is effective for peer reviews ending on or after March 31, 2020.

I am grateful to the members of the CIGIE Peer Review Guide working group and the members of CIGIE, the Federal Audit Executive Council, and other Federal audit organizations for their hard work, extensive input, and feedback during the revision of the Guide. The CIGIE Audit Committee welcomes any suggestions for continuous improvements to the peer review program; please direct your suggestions to CIGIE-Audit-PeerReview@list.nih.gov[[1]](#footnote-2).

/s/

The Honorable Hannibal “Mike” Ware

Inspector General, Small Business Administration

Chair, CIGIE Audit Committee

**Council of the Inspectors General on Integrity and Efficiency Audit Committee**

March 2020

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##### Section 1

Audit Committee Policy Statement on the Peer Review Program

1. Purpose

The purpose of this statement is to provide members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) with standards and policy guidance on the implementation of generally accepted government auditing standards (GAGAS) requirements for peer reviews.[[2]](#footnote-3) This March 2020 *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (March 2020 Guide) is based on the July 2018 revision to *Government Auditing Standards*.[[3]](#footnote-4) Pursuant to its charter, the CIGIE Audit Committee administers the peer review program under GAGAS for Federal Offices of Inspector General (OIGs). CIGIE Audit Committee’s policy statement on the system of quality control and the peer review guidance were first issued in August 1989, and they are periodically revised to provide CIGIE members with current guidance. The March 2020 Guide replaces guidance issued in September 2014.

1. Background

GAGASrequires audit organizations that conduct engagements in accordance with GAGAS (GAGAS engagements) to establish and maintain a system of quality control and obtain an external peer review at least once every three years. GAGAS describes the elements of a system of quality control and the external peer review process in greater detail. GAGAS also prescribes requirements for granting extensions of deadlines for obtaining peer review reports. In the context of the March 2020 Guide, the term “External Peer Review” refers to the GAGAS-required peer review.

The March 2020 Guide also describes a Modified Peer Review that CIGIE requires of OIGs that do not perform GAGAS engagements, but that may have maintained audit policies and procedures in anticipation of performing such work. The CIGIE Audit Committee believes that it would be useful for all OIGs to be subject to a peer review process to help ensure that audit policies and procedures, if established, are current and consistent with applicable professional standards. Whether an OIG conducts GAGAS engagements or other types of review in its oversight role of its agency, the OIG uses the CIGIE *Quality Standards for Federal Offices of Inspector General* to guide the conduct of its official duties in a professional manner.[[4]](#footnote-5) These quality standards incorporate, by reference, existing professional standards for audits, investigations, inspections, and evaluations.

1. System of Quality Control

Audit organizations that conduct GAGAS engagements are required to establish and maintain a system of quality control for the audit organization. The system encompasses the organization’s leadership, emphasis on performing high-quality work, and policies and procedures 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. The nature, extent, and formality of an OIG’s system of quality control will vary depending on the structure and size of the organization, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its work, and cost-benefit considerations. Taking these factors into consideration, the OIG’s system of quality control for the audit organization must be structured and implemented to ensure an objective, timely, and comprehensive appraisal of operations.

The system should be designed to help the OIG comply with GAGAS, applicable guidance from the Office of Management and Budget and Government Accountability Office (GAO), and statutory provisions applicable to the OIG. CIGIE’s *Quality Standards for Federal Offices of Inspector General*, GAGAS, and the *Standards for Internal Control in the Federal Government*[[5]](#footnote-6) detail the requirements for establishing and maintaining an adequate system of internal controls.

GAGAS also requires audit organizations to document their quality control policies and procedures and to communicate those policies and procedures to its personnel. OIGs should also periodically analyze and document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent to which the audit organization complied with its quality control policies and procedures.

1. Peer Review Program

The CIGIE peer review program provides OIGs and their stakeholders with an assessment of (1) the system of quality control over the audit organization and its compliance with the established system of quality control, referred to as an *External Peer Review*; or (2) established audit policies and procedures, if applicable, to determine whether they are current and consistent with applicable professional standards, referred to as a *Modified Peer Review*. The type of peer review needed is dependent on whether the reviewed OIG audit organization’s work performed in the three years since its last peer review included GAGAS engagements. The objectives of the two peer reviews are different, and the reviewed OIG needs to ensure that it obtains the appropriate peer review considering the type of work performed. For guidance on conducting the peer reviews and sample documents, see Section 2: Guide for Conducting Peer Reviews and Section 3: Peer Review Illustrative Materials.

The Inspector General Act of 1978 (IG Act), as amended, requires that peer reviews of an OIG be performed exclusively by an audit entity of the Federal Government, either another OIG or GAO. Assignments for OIGs to obtain peer reviews are made by the CIGIE Audit Committee as the administering organization for Federal OIGs. The peer review generally covers one year, and the scope typically covers the OIG’s two most recent semiannual reports to the Congress. The peer review team may expand the scope as needed. Whether an External Peer Review or a Modified Peer Review is needed, the same year-end (normally March 31 or September 30) should be maintained on the peer review (three years from the previous year-end). For example, if the most recent peer review covered the year ending March 31, 2020, then the next peer review should cover the year ending March 31, 2023. The report should be issued within six months after the end of the period under review—in this instance, by September 30, 2023. For the External Peer Review, an extension of the deadline for obtaining the peer review report exceeding three months beyond the due date must be granted by the CIGIE Audit Committee and GAO. For the Modified Peer Review, an extension of the deadline must be granted by the CIGIE Audit Committee. Requests for the due date extension must be made by the reviewed OIG.

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

The March 2020 Guide provides OIGs with standards and procedures to ensure that peer reviews are conducted in an appropriate and consistent manner. The peer review will culminate in a written report or reports, to include any expanded scope areas. OIGs are encouraged to seek technical clarification, GAGAS interpretations, or general GAGAS assistance from subject matter experts at GAO or the CIGIE Audit Committee’s Audit Peer Review Subcommittee, as needed. OIGs should also make every effort to resolve areas of disagreement before the peer review report is issued. If the OIGs are unable to resolve disagreements before the report is issued, the CIGIE Audit Committee may be consulted. However, it is ultimately the responsibility of the reviewing OIG to provide the results of the peer review in a timely manner.

Regarding the distribution of the peer review report, OIGs are federal entities that conduct GAGAS engagements of programs and operations of their agencies and issue reports both to agency management and to third parties external to the audited entity.[[6]](#footnote-7) For this reason, the reviewed OIG should do the following:

* Make its most recent peer review report publicly available—for example, posting the report on its website or using other methods for transparency.
* Provide copies to others upon request and to those charged with governance.[[7]](#footnote-8)

The OIG should provide copies of the peer review report to the head of its agency, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee. The OIG should also communicate the overall results and make its peer review report available to appropriate oversight bodies. Furthermore, the OIG should include the results of its most recent peer review report in its semiannual report to Congress.[[8]](#footnote-9) In addition, and on request, the reviewed OIG should coordinate with the previous peer review team to provide a copy of the previous peer review report and related documentation to the current peer review team or to GAO.

Only an OIG that receives a rating of *pass* from its most recent External Peer Review can perform a peer review of another OIG. An OIG receiving a rating of *pass with deficiencies* or *fail* from its most recent External Peer Review may request an off-cycle peer review to demonstrate that corrective actions were taken. Furthermore, if an OIG under review receives notification at the official draft report stage of the External Peer Review that it will receive a 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. OIGs covered by the Modified Peer Review do not receive a rating; therefore, they are not restricted from conducting a peer review of another OIG.

##### Section 2

##### Guide for Conducting Peer Reviews

**Preface**

1. This section presents the general guidance for conducting the External Peer Review and the Modified Peer Review of an audit organization of Federal Offices of Inspector General (OIGs). The type of peer review needed depends on whether the OIG conducts engagements in accordance with generally accepted government auditing standards (GAGAS engagements) as shown in Figure 1:

Figure 1. Peer Review Types

The External Peer Review is applicable to OIGs that conducted GAGAS engagements in the three-year period since the prior peer review or since the organization started its first GAGAS engagement.[[9]](#footnote-10) The Modified Peer Review is applicable to OIGs that did not or do not conduct GAGAS engagements but may maintain audit policies and procedures in anticipation of conducting the work. The Council of the Inspectors General on Integrity and Efficiency (CIGIE) developed the March 2020 *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (March 2020 Guide) to ensure that peer reviews are conducted adequately, consistently, and in accordance with GAGAS and CIGIE requirements. The guidance is not intended to supplant the review team’s professional judgment as to the specific approach to take or procedures needed to be performed. GAGAS is the overarching criteria for the peer reviews. In forming opinions on the rating to issue and determining the results to report on the External Peer Review, findings should be measured against GAGAS.

**General Considerations**

**Peer Review Objectives**

1. The objectives of the External Peer Review are to determine whether, for the period under review, the audit organization’s system of quality control was suitably designed and whether the organization is complying in all material respects with its system of quality control in order to provide it with reasonable assurance of conforming with applicable professional standards and legal and regulatory requirements.
2. The objective of the Modified Peer Review is to determine whether the OIG’s policies and procedures for the audit function, if established, are current and consistent with applicable professional standards. This peer review is applicable to an OIG whose work conducted in the three-year period since the prior peer review did not include GAGAS engagements but the OIG may have maintained audit policies and procedures. In some cases, OIGs may not have audit policies and procedures because the OIG does not intend to perform GAGAS engagements. Not having audit policies and procedures is not a weakness.
3. The scope of both peer reviews should also include the OIG’s monitoring activities of an Independent Public Accountants (IPA) if an IPA was engaged by the OIG to perform GAGAS engagements. Whether an External or Modified Peer Review is needed, the review team must plan and conduct the work and report on the results. Figure 2 shows the process for conducting a peer review and issuing a report and, if applicable, a letter of comment (LOC):

Figure 2. Peer Review Process

 

**Responsibilities and Characteristics of the Peer Review Team**

1. The review team should exercise professional judgment in all matters relating to planning, performing, and reporting the results of the peer review. Nothing in this section should be construed to limit the flexibility of the review team in conducting its work.
2. The review team should be led by a team captain with sufficient expertise and who reports to an individual or is at a level, within the reviewing OIG that will ensure independence and objectivity in performing the peer review. The team captain should also ensure that the staff is properly supervised and that the peer review is conducted in accordance with applicable standards and guidance.
3. The review team should collectively have sufficient knowledge related to performing peer reviews. The individuals managing and conducting the review should have experience with and thorough knowledge of applicable professional standards. Peer review knowledge and professional competence may be obtained from on-the-job training, training courses, or a combination of both. Having team members with prior experience on a peer review or an internal quality assurance review is desirable but not required. The review team’s captain is required to attend the CIGIE Training Institute’s Audit Peer Review training program to effectively perform their role and responsibilities. [[10]](#footnote-11) Other review team members are highly encouraged to attend. Representatives from the reviewed OIG responsible for handling the administrative and logistical arrangements for the audit peer review may also attend the training program. All participants should review the March 2020 Guide prior to attending the training. CIGIE works with both OIGs’ training officer(s) to register participants in the appropriate training session.
4. The OIG conducting the peer review (reviewing OIG) and individual review team members should be objective and independent, as defined in GAGAS, of the OIG being reviewed (reviewed OIG), its staff, the contracted IPA engagements—and for the External Peer Review, the engagements selected for the review. Objectivity includes independence of mind and appearance when conducting the peer review, maintaining an attitude of impartiality, having intellectual honesty, and being free of conflicts of interest.[[11]](#footnote-12) The team should use the GAGAS conceptual framework for independence to help identify threats and apply safeguards to the review.
5. The number of staff assigned to the review team depends on several factors, including the size and geographic dispersion of the reviewed OIG and the nature and extent of the engagement universe. The review team should be adequately staffed to complete the review and issue the report in a timely manner. Members of the review team could be selected from one OIG or several OIGs to form an ad hoc team.
6. Other factors that should be considered in selecting team members include the types and complexity of GAGAS engagements selected for review and any specialized skills that may be needed, such as information technology specialists, statisticians, or auditors with financial audit or IPA monitoring experience. Also, if the reviewed OIG’s engagement universe includes classified information or if the reviewed OIG uses electronic audit software to document its work, the review team should be capable of reviewing such work and plan accordingly to have the proper clearances to access classified information and be trained on any audit software needed.
7. To help OIGs prepare the documents needed for the peer review, Section 3 contains the illustrative materials the review team may use to prepare a memorandum of understanding, transmittal letter, System and Modified Peer Review report, and a letter of comment. The documents contain general elements and examples and should be modified to fit the circumstances of each review.

**Planning and Performing the Peer Review**

**Initiation of the Peer Review and Administrative Matters**

1. Early in the process, the reviewed OIG makes informal contact with the reviewing OIG. This contact is encouraged to ensure that the reviewed OIG obtains a peer review report within three years. This contact also helps the reviewing OIG plan the work and identify any special circumstances surrounding the peer review.[[12]](#footnote-13) After contact is made, the reviewing OIG should forward an engagement letter signed by its Inspector General to the reviewed OIG’s Inspector General announcing the initiation of the peer review and requesting a formal entrance conference. The engagement letter should also contain a request that the information in paragraph 19 of this section be provided at or before the entrance conference. Sufficient time should be given to the reviewed OIG to compile the requested information.
2. An entrance conference should be held to bring the parties together, establish the ground rules of the review, and facilitate conducting the review. At that time, the teams should discuss the reviewed OIG organizational issues and work practices like roles and responsibilities of the audit organization, the use of electronic audit software, and other matters; the level of security clearance/access needed; training that may be required before the review to facilitate preparation and planning; and work space for the review team. The proposed elements of a written agreement or memorandum of understanding (MOU) at paragraph 20 should also be discussed. An illustrative MOU is included in Section 3 for the team to use and should be modified, as appropriate, to fit the circumstances of the review.
3. If travel is necessary to complete 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’ OIGs should pay their travel expenses.
4. The review team should maintain administrative records of the staff and calendar days taken to complete the review, as well as travel and other costs incurred. These records should be retained as part of the peer review documentation so they are available for the next peer review team for its planning purposes.

**Scope of the Peer Reviews**

1. The scope of the peer review is based on the period covered by the reviewed OIG’s prior peer review. Specifically, it will cover the year-end that is three years from the year-end covered by the prior peer review. For example, if the prior peer review year‑end was March 31, 2020, then the current peer review covers the year ending March 31, 2023. However, if this is the first peer review for an OIG not already subject to a peer review requirement, then the scope should cover a review period ending no later than three years from the date when the OIG began its first GAGAS engagement or when the OIG was established. Typically, the period under review covers one year but may be expanded as needed by the review team. The due date for the peer review report is six months after the year-end scope period. Following the example, the due date for the peer review report in this case is September 30, 2023. An approval of extensions to the due date exceeding three months must be obtained by the reviewed OIG from the CIGIE Audit Committee and with concurrence from GAO for an External Peer Review. For a Modified Peer Review, the reviewed OIG requests for extensions from the CIGIE Audit Committee.
2. GAGAS and CIGIE recognize that the nature, extent, and formality of an audit organization’s system of quality control depends on a number of factors, such as the organization’s size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its engagement work, and cost-benefit considerations. Nonetheless, the audit organization conducting GAGAS engagements 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. In addition, policies and procedures may vary among OIGs, and procedures that are more stringent than GAGAS should not be applied in concluding whether the organization complies with applicable professional standards. However, the reviewing OIG should bring noncompliance with policies and procedures to the reviewed OIG’s attention for corrective action. Comments about noncompliance with policies and procedures may either be provided verbally or in writing. The noncompliance may be included in a letter of comment or similar document depending on their pervasiveness and severity.
3. The scope of the peer review should also include a review of the OIG’s monitoring of engagements contracted to IPAswhere the IPA serves as the auditor. IPA monitoring activities are not GAGAS engagements; however, GAGAS work performed by IPAs may be significant in many OIGs. When GAGAS work is contracted to IPAs, OIGs are required by the IG Act to ensure that the work conforms to GAGAS. Accordingly, the CIGIE Audit Committee determined that it is prudent to give this area appropriate coverage as part of the peer review. The focus of the review on IPA monitoring activities will be on the reviewed OIG’s contracting and monitoring practices to ensure that IPA work complies with professional standards. Weaknesses found with IPA monitoring activities are to be reported in the letter of comment or similar document. Additional information on IPA monitoring can be found in paragraphs 38 and 39.

**Planning/Pre-Site Visit**

1. Prior to the entrance conference, the following steps should be performed to obtain an understanding of the reviewed OIG audit organization and to determine the type, nature, and extent of the peer review—and for the External Peer Review, the type of engagements to select for review by the team:
2. **Audit Quality Control Policies and Procedures.** The review team should request the reviewed OIG to complete Column 1 of Appendix A, *Policies and Procedures*, and provide references to and a copy of its policies and procedures, as applicable. If the reviewed OIG did not establish policies and procedures for the audit function, it should indicate such information in Appendix A.
3. **Semiannual Reports to Congress.** The review team should request, or obtain from the OIG’s website, copies of the semiannual reports to Congress that were issued during the period to be covered by the peer review. The semiannual reports provide information about the nature and volume of completed GAGAS engagements, 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 the individual GAGAS engagements for the External Peer Review and contracted IPA work for both reviews.
4. **Prior Peer Review.** Arrangements should be made to obtain copies of the prior peer review final report and, as applicable, the letter of comment and access to the peer review documentation. OIGs who performed the prior peer review should provide access to the peer review documentation when requested by the OIG performing the current peer review. The reviewed OIG should facilitate the arrangements and provide a written description of the corrective action taken in response to the prior peer review recommendations. As part of the peer review, the review team should assess the effectiveness of corrective actions implemented by the reviewed OIG in response to the recommendations and include follow-up on the status of these recommendations.
5. **Internal Quality Assurance Review Reports.** The review team should obtain internal quality assurance review reports issued during and subsequent to the peer review period. As appropriate, the review team may request, and the reviewed OIG should provide, any internal quality assurance reports issued (and related internal review documentation) during the three‑year period since the year-end covered by the preceding peer review.
6. **Other Documentation.** The review team should obtain other documentation it deems necessary to conduct the peer review, including the following:
	* annual audit plan(s) for the period covered
	* a printout from the tracking system of engagements scheduled, cancelled, terminated, or completed during the period
	* a list of nonaudit services performed
	* an organization chart
	* a staff roster showing series, grades, and professional designations
	* a summary of continuing professional education for all staff for the most recent two-year reporting period
	* a list and description of all reports re-issued in the current fiscal year

If readily available, the team should obtain information regarding the staff’s advanced degrees or special skills. If information is not readily available, request this data, as needed, after the review team selected the individual engagements and IPA monitoring to be reviewed.

1. **Terminated Audits.** The review team should also request a list of engagements terminated during the period. Terminated engagements should be reviewed 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 officials.

**Written Agreement for Peer Reviews**

1. A written agreement or an MOU is required to ensure mutual agreement of the fundamental aspects of the peer review and to avoid any misunderstandings. The agreement is drafted by the reviewing OIG, discussed at the entrance conference, and signed by both Inspectors General prior to the initiation of fieldwork. An illustrative MOU is included in Section 3. An MOU typically covers the following topics:
2. **Scope of the Review.** See paragraphs 16 to 18.
3. **Staffing and Timeframe.** The review should be scheduled and conducted to ensure that a report is issued within six months of the end of the period to be reviewed.
4. **Administrative Matters.** Other topics may be covered as needed or considered appropriate, including the points of contact, purpose and objectives of the peer review, access to engagement and administrative files, the review approach, the handling of sensitive information or clearances required, and logistics and facilities access. When preparing the MOU, the parties should take care not to restrict, in any way, the review team’s ability to conduct the work necessary to accomplish the objectives of the review. If restrictions exist, the OIGs may need to discuss whether a scope limitation exists.
5. **Nonaudit Services.** The MOU should state that the reviewed OIG will provide, in writing, a list and a description of all nonaudit services rendered within the prior three years.[[13]](#footnote-14) If applicable, once the individual engagements selected for review are revealed to the reviewed OIG for the External Peer Review, the reviewed OIG needs to inform the review team in writing of any nonaudit services provided to the agency management related to the selected engagements. If the reviewed OIG performed any nonaudit services requiring supplemental safeguards as required by GAGAS, the reviewed OIG should provide the team with the GAGAS-required documentation.[[14]](#footnote-15) The review team will assess the completeness of the nonaudit services described by reviewing the semiannual reports to Congress or similar reports, and annual planning documents for indicators of any additional nonaudit services that may have been performed by the reviewed OIG. The team may also inquire about any such indicators and assess the potential impact to the audit organization’s independence.
6. **Preliminary Findings.** The MOU provides for timely interim discussion of preliminary findings including meeting with the engagement team and holding exit meetings at field offices. A commitment to open and ongoing communication between the parties is important to ensure that the review is conducted efficiently.
7. **Reporting Results.** The MOU establishes the following guidelines for the reporting process:
* Designate the report’s addressee and signer (for example, draft issued to and from the respective Assistant Inspectors General for Audit or equivalent and final report issued to and from the Inspectors General).
* Provide a discussion draft report and a formal draft report for the official response.
* Schedule the exit conference.
* Designate a time period for responses to the applicable draft reports.
* Issue the final report.
1. **Request for Peer Review Documentation.** Include an appendix in the MOU covering the OIGs’ respective responsibilities for producing peer review records in response to requests under the Freedom of Information Act and other legal demands.

**Risk Assessment**

1. The review team should perform a risk assessment to help plan the External Peer Review and determine the nature and extent of the work needed. In assessing risk, the review team should consider the information gathered and analyzed in paragraph 19 and, if used, the optional audit staff survey discussed at paragraphs 25 to 27, to determine the number and types of GAGAS engagements and IPA monitoring projects to select for review. The nature and extent of the work done in the peer review should be sufficiently comprehensive to assess whether the reviewed OIG audit organization’s system of quality control meets its objectives. Based on the risk assessment, the team should select engagements that provide a reasonable cross‑section of GAGAS work conducted by the reviewed OIG.
2. To evaluate the reviewed OIG’s IPA monitoring activities, the review team should select a representative cross-section of engagements contracted to IPAs where the IPA served as the auditor. If the reviewed OIG contracted the financial statements audit for its agency, that audit should be included in the sample.

**Documentation Requirements**

1. Documentation should be prepared to support the work performed and the conclusions reached in the peer review, including evidence of supervision. For the External Peer Review, the review team should obtain sufficient, appropriate evidence and perform sufficient testing to provide a reasonable basis for determining whether the system of quality control meets its objectives, and whether the reviewed OIG complied with applicable professional standards and legal and regulatory requirements in all material respects. For the Modified Peer Review, the team should document the work completed to determine whether the reviewed OIG’s established policies and procedures for the audit function are current and consistent with applicable professional standards.
2. The reviewing OIG should retain the peer review documentation until after the subsequent peer review of the reviewed OIG is completed. Furthermore, the documentation should be retained for an appropriate period in accordance with the reviewing OIG’s records retention policy. The reviewing OIG should also provide the current review team with access to the documentation, as requested. The reviewing OIG should apply the same custody, physical, and electronic security practices with respect to the peer review documentation that it applies to GAGAS work documentation. These policies should include safeguards against unauthorized use or access to the documentation.

**Optional Audit Staff Survey**

1. GAGAS states that the review team should include, as an element in the scope of the External Peer Review, interviews with selected members of the audit organization’s personnel in various roles to assess their understanding of and compliance with relevant audit policies and procedures. An optional survey is included as Appendix G, *Optional Audit Staff Survey,* for the team to discuss with the reviewing OIG and use during planning and/or fieldwork, if desired. When the survey is used, consideration should be given to privacy and security-related concerns to determine the information needed as part of the peer review documentation. The survey results may be used, along with evidence gathered during fieldwork, to help assess risk and to determine whether the system of quality control meets its objectives and whether the reviewed OIG complied with the system of quality control and GAGAS.
2. The survey is designed to determine whether the reviewed OIG communicated audit policies and procedures to its staff. It also asks the staff a number of questions about adherence to those policies and procedures, based on their own experience. The questions are directed at engagements performed by the reviewed OIG staff and not to the monitoring of audit work contracted to IPAs where the IPA serves as the auditor.
3. Negative responses to the questions 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. A significant number of responses may indicate that staff was not informed of some policies and procedures or that some important aspects of the policies and procedures were not adhered to during the GAGAS engagements in which they participated. This may indicate a potential weakness in the system of quality control for the audit organization or the OIG’s communication efforts. In those cases, the review team should explore the potential problem areas in greater detail.

**System of Quality Control and Assurance Program**

1. The reviewing OIG gains an understanding of the reviewed OIG audit organization’s internal quality assurance program, evaluates its design, and assesses internal quality assurance reports.
2. The team should also evaluate the reviewed OIG audit organization’s policies and procedures. Appendix A should be used to guide the review. Based on a review and evaluation of policies and procedures, supplemented as necessary by an inquiry of management, the review team should complete Column 2 of Appendix A. The purpose of this analysis is to determine whether, in the reviewer’s opinion, the reviewed OIG audit organization’s quality control policies and procedures are adequate as prescribed.
3. The purpose of reviewing the OIG audit organization’s system of quality control is to determine whether the system is adequately designed. GAGAS, the *Standards for Internal Control in the Federal Government*, and CIGIE *Quality Standards for Federal Offices of Inspector General* provide standards and guidance for establishing and maintaining a system of quality control to ensure that work performed adheres to established OIG policies and procedures; meets established standards of performance, including applicable professional standards; and is carried out economically, efficiently, and effectively.

**Selection of Offices and Nature and Extent of Testing GAGAS Engagements for the External Peer Review**

1. Based on the risk assessment for the External Peer Review, a sufficient number of engagements of different types, including terminated assignments and re-issued reports, should be selected to enable the review team to reach a defendable conclusion as to whether the system of quality control of the reviewed OIG audit organization was adequately designed and complied with in all material respects during the period reviewed to provide the audit organization with reasonable assurance of conforming with professional standards and legal and regulatory requirements. If the reviewed OIG performs financial audits with its own staff, the sample should include at least one of those financial audits. The sample should also include at least one engagement internally reviewed under the OIG’s quality control and assurance program. In selecting offices and reports for review, the review team should consider the following:
* the assignments listed in the audit tracking system
* the engagements listed or described in the reviewed OIG’s semiannual reports to Congress
* the number of OIG offices
* the findings and comments from the prior peer review report
* the engagements related to nonaudit services provided
1. The review team should request that the reviewed OIG provide the documentation for the engagements selected for review within a reasonable timeframe. The review team should advise the reviewed OIG of the specific engagements selected for review only when it is ready to initiate the review of the engagements. The reviewed OIG should provide reasonable access to all documentation in electronic format, paper, or both, as requested by the review team. If the review team plans to conduct field site visits (regional offices, sub-offices, etc.), the team should advise the field offices of the engagements selected for review when the review team arrives at the field sites.

If the reviewed OIG cannot provide the requested engagement documentation within a reasonable timeframe, the review team should request a written statement signed by the head of the reviewed OIG audit organization with: (1) an explanation of the delay, (2) an assertion that the engagement documentation was prepared in accordance with GAGAS, and (3) an explanation if such an assertion cannot be made. The review team should take these circumstances into consideration when assessing whether the engagement documentation was prepared in accordance with GAGAS, and whether a scope limitation exists with the peer review.

1. The nature and extent of tests used for the External Peer Review should be sufficiently comprehensive to provide a reasonable basis for concluding whether the reviewed OIG audit organization’s system of quality control was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conformance in all material respects with professional standards and legal and regulatory requirements. The extent of work performed by the reviewing OIG should be expanded as necessary to achieve that level of assurance.
2. The purpose of reviewing individual engagements is to determine whether applicable professional standards and established policies and procedures were followed. For the testing of engagements, Appendix C contains a checklist for the review of individual financial audits; Appendices D1 to D4 contain checklists for the review of individual attestation engagements and reviews of financial statements; and Appendix E contains a checklist for the review of individual performance audits.
3. The review of individual engagements should include a review of the auditors’ report and related documentation and discussions with the auditors who performed the work. The review team should exercise professional judgment in determining whether interviews with the auditors about matters noted in the reviewed engagements should be conducted in person or remotely.
4. For terminated audits, determine whether the auditors documented the results of the work up to the date of termination and the reason for the termination.
5. For re-issued reports, determine the reason(s) for the re-issue. If the report was removed for insufficient evidence to support the reported findings or conclusions, assess whether the auditors communicated the report removal to the users, removed the report, and performed additional work to re-issue the report or re-post the original report.[[15]](#footnote-16) If the report was removed for threats to independence identified after the report was originally issued, determine whether the auditors assessed the effects on the results and notified the appropriate users of the impact of the threats to independence.[[16]](#footnote-17)

**IPA Monitoring**

1. For GAGAS engagements performed by an IPA as the auditor under contract with the reviewed OIG, the review team should determine whether the reviewed OIG issued and implemented quality control policies and procedures for ensuring that the IPA’s work meets professional standards and contractual requirements. The review team should gain an understanding of the extent the reviewed OIG uses IPAs to perform GAGAS engagements and the policies and procedures for monitoring the IPA’s work. IPA monitoring documentation for a sample of contracted engagements, emphasizing the reviewed OIG’s monitoring activities, should be reviewed to ensure the IPA’s adherence to professional standards.
2. Appendix F contains a checklist for evaluating the reviewed OIG’s monitoring of the IPA’s work. It is important to note that the scope of work related to IPA monitoring activities do not include visiting the IPA or reviewing the IPA’s audit documentation, credentials, and CPE documentation. Findings related to an OIG’s IPA monitoring practices do not affect the External Peer Review report opinion (or rating) on the OIG audit function’s system of quality control. However, these findings should be included in the letter of comment or other written format or provided verbally. This checklist is not applicable to engagements where the reviewed OIG served as the auditor and contracted with an IPA to perform part of the work or in situations where the OIG takes full responsibility for the IPA’s work. For these GAGAS engagements, the review team should use Appendix C, D1, D2, D3, D4, or E, as applicable.

**Identifying Matters, Findings, Deficiencies, and Significant Deficiencies in the External Peer Review**

1. In understanding the reviewed OIG audit organization’s system of quality control, the review team may conclude that the system is not suitably designed or that the OIG is not complying with GAGAS or its policies and procedures. Similarly, the testing of the sampled engagements may identify a design weakness that was not identified during the planning of the External Peer Review. To help the review team with potential issues, the definitions of *matter, finding, deficiency,* and *significant deficiency* in this paragraph may be useful in classifying the conditions noted. Determining the relative importance of conditions identified during the review, individually or combined with others, requires professional judgment. Careful consideration is needed to form conclusions. The definitions below are intended to help the review team (1) aggregate, evaluate, and conclude on the results and (2) determine the findings and recommendations to include in the report and the report rating to issue. Depending on the nature, causes, pattern or pervasiveness, and relative importance of the finding to the OIG audit organization’s system of quality control taken as a whole, the review team may issue an External Peer Review (also referred to as a System Review) report with a rating of *pass*, *pass with deficiencies*, or *fail*.
2. **Matter.** A *matter* is a circumstance identified by the review team that warrants further consideration. Matters are identified through the team’s evaluation of the design of the reviewed OIG audit organization’s system of quality control and/or tests of compliance with that system. How a matter is communicated to the reviewed OIG is at the discretion of the review team.
3. **Finding.** A *finding* is one or more related matters that result from a condition such that there is more than a remote possibility that the reviewed OIG would not perform and/or report in conformity with applicable professional standards. The review team will conclude whether one or more findings will rise to the level of *deficiency* or *significant deficiency* or not rise to either level. A finding not rising to the level of a deficiency or significant deficiency should be communicated in an appropriate manner, either verbally or in writing like a letter of comment. For the External Peer Review, if the review team concludes that no finding, individually or combined with others, rises to the level of *deficiency* or *significant deficiency*, a rating of *pass* is appropriate.
4. **Deficiency.** 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 OIG audit organization’s system of quality control taken as a whole⎯could create a situation in which the OIG would not have reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects. For the External Peer Review, *deficiencies* that do not rise to the level of a *significant deficiency* are communicated in a report with a rating of *pass with deficiencies*.
5. **Significant Deficiency.** A *significant deficiency* is one or more deficiencies that the review team has concluded results from a condition in the system of quality control or compliance with it, such that the OIG audit organization’s system of quality control taken as a whole does not provide the OIG with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. For the External Peer Review, these deficiencies are communicated in a report with a rating of *fail*.
6. After completing the checklist for each engagement and IPA monitoring activities, findings and conclusions should be developed and formulated. The review team should:
7. Summarize the checklists’ results and identify any repeat findings from prior peer review or internal quality assurance review(s).
8. Identify findings (noncompliance with GAGAS and the reviewed OIG audit policies and procedures) in the individual engagements reviewed that could impact the External Peer Review report rating. Guidance in paragraph 40 is helpful in identifying the significance of conditions identified. It is important to note that GAGAS represents the overarching criteria. For example, if the reviewed OIG audit organization’s policies and procedures encompassed more stringent requirements than those prescribed in GAGAS, and the reviewing OIG noted a lack of compliance with those incremental requirements, this lack of compliance would not constitute a deficiency or significant deficiency. Therefore, it should not impact the External Peer Review report rating. However, the review team should consider including findings that do not rise to the level of a deficiency or significant deficiency in a letter of comment or other written communication.
9. Identify any other matters that warrant disclosure to the reviewed OIG either verbally or in writing like a letter of comment, including noncompliance with policies and procedures or deficiencies noted in the IPA monitoring activities.
10. Assess the overall adequacy of the implementation of the reviewed OIG audit system of quality control.

When all the evidence has been compiled, the adequacy of the scope of the External Peer Review should be reassessed and expanded if necessary to ensure that sufficient work is done and documented to support the review team’s conclusions, findings, and recommendations. If additional procedures are deemed necessary to reach the conclusion, the team should expand the scope to review additional engagements or aspects of the system of quality control. The collective results of all tests performed during the review should be considered to reach an overall conclusion on the reviewed OIG’s system of quality control and compliance in all material respects with professional standards and legal and regulatory requirements.

**Identifying Findings and Recommendations in the Modified Peer Review**

1. Potential issues need to be considered individually and in the aggregate to determine the materiality of the findings and make recommendations to include in the report. Determining the relative importance of matters and findings identified during the Modified Peer Review, individually or combined with others matters and findings, requires professional judgment. Careful consideration is needed to form the conclusion.
2. After completing the checklists in Appendices A and F, findings should be developed, if appropriate. The review team should:
3. Summarize the checklist’s results and assess whether policies and procedures are current and consistent with applicable professional standards.
4. Identify findings and any other matters that warrant disclosure to the OIG’s management, including any findings noted in its IPA monitoring activities for inclusion in a letter of comment or a separate written communication.

**Reporting the Peer Review Results**

**General Considerations**

1. Before the start of the peer review, the OIGs should discuss and agree in the MOU to the process for peer review reporting. The process should provide for the reviewed OIG to comment on the peer review report and, if applicable, the letter of comment or other written communications, prior to their final issuance. The review team should consider the comments before finalizing the reports and include the comments as part of the final report.
2. The review team should discuss the potential issues, findings, recommendations, and overall conclusion with the reviewed OIG. OIGs are encouraged to seek technical clarification, GAGAS interpretations, or general GAGAS assistance from subject matter experts at GAO or the CIGIE Audit Committee’s Audit Peer Review Subcommittee, as needed throughout the peer review process.
3. Before the peer review report is issued, OIGs should make every effort to resolve areas of disagreement. Any unresolved issues between the teams should be elevated to the respective audit Assistant IGs or equivalent audit executives, and to the respective Inspectors General (IGs) for resolution if needed. When all options are exhausted and the OIGs are still unable to resolve their disagreement before the report is issued, one or both IGs may submit any such dispute to the Audit Committee’s Panel of Assistant Inspectors General for Audits (AIGA Panel). If either OIG disagrees with the recommendation made by the AIGA Panel, either OIG may appeal to the Audit Committee’s Panel of IGs (IG Panel), chaired by the Audit Committee Chair.[[17]](#footnote-18) When reviewing the disputes, both panels will consult with the parties involved and recommend one of three options: (1) the reviewed OIG accept the reviewing OIG’s results, (2) the reviewing OIG accept the reviewed OIG’s explanations and comments, or (3) the reviewing OIG expand the scope to facilitate the resolution of the disagreement. If either OIG disagrees with the recommendation of the IG Panel, either OIG may further appeal the dispute to the CIGIE Executive Council for further mediation and final recommendation.
4. A written report or reports should be issued at the completion of the peer review and, when applicable, should include recommendations for corrective actions. Written comments for each recommendation should be obtained from the official responsible for managing the reviewed OIG audit organization that describe either (1) the corrective actions that have already been taken or are planned with target dates, or (2) the basis for why corrective action is not considered necessary. Sample reports and transmittal letters for the peer reviews are included as illustrative materials in Section 3. The sample documents should be modified to fit the circumstances of the findings and recommendations.
5. Findings not sufficiently significant to (1) affect the External Peer Review report rating or (2) to be included in the Modified Peer Review report should be included in a letter of comment or separate written communication. The letter of comment should also include any findings noted with the reviewed OIG’s noncompliance with its policies and procedures or IPA monitoring activities. The letter of comment does not need to be posted on the OIG’s website because it is intended to provide only the reviewed OIG with the opportunity to take appropriate actions to correct non-significant issues.
6. The Modified Peer Review report should contain the review team’s assessment of whether established audit policies and procedures, if any, are current and consistent with applicable professional standards. If the reviewed OIG does not have audit policies and procedures, the report should state that the OIG did not establish audit policies and procedures and should include the reviewed OIG’s reason for choosing not to have policies and procedures. The report should also describe the scope of work related to IPA monitoring activities where the OIG contracted with IPAs to perform GAGAS engagements as the auditor.
7. The External Peer Review report is known as the System Review report and should be prepared in accordance with paragraphs 51 and 52. The report should contain the review team’s opinion as to whether the system of quality control of the reviewed OIG audit organization was adequately designed and complied with during the period reviewed to provide the reviewed OIG with reasonable assurance of conformance in all material respects with applicable professional standards and legal and regulatory requirements. The report should also describe the scope and methodology of the peer review, and as applicable, the scope of work related to the IPA monitoring activities where IPAs were hired to perform engagements as the 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.

**Types of External Peer Review Report Ratings**

1. Three types of External Peer Review report ratings may be issued: *pass*, *pass with deficiencies,* and *fail*. In forming the report rating, the review team should consider the nature and extent of the evidence taken as a whole and, most importantly, determining the rating to issue is a matter of professional judgment. The rating must be supported by sufficient, appropriate evidence obtained by the peer review team. With each rating, the review team may also have a scope limitation depending on restrictions to access information, documentation, or people. The review may also have findings and recommendations that did not affect the peer review rating. These findings should be included in a separate letter of comment or other written communications as detailed in paragraph 53.
	* + 1. ***Pass.*** An External Peer Review report with a rating of *pass* should be issued when the review team concludes that the system of quality control for the reviewed OIG audit organization has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and legal and regulatory requirements. The team did not identify deficiencies or significant deficiencies that affect the nature of the report; therefore, the report does not contain any deficiencies or significant deficiencies, or recommendations. In a scope limitation, a report with a rating of *pass with a scope limitation* is issued. Examples of possible scope limitation include: (1) the loss of audit documentation for a significant number of the reviewed OIG’s engagements completed during the review period caused by a natural disaster or other events, or (2) the reviewed OIG excluded certain engagements with sensitive topics from the universe of engagements because of restricted access to the subject matter included in the audit reports, and (3) the review team could not perform other procedures to reduce the impact of the restricted access. Sample *pass* reports are in Section 3, paragraphs 6 and 7.
			2. ***Pass With Deficiencies.*** An External Peer Review report with a rating of *pass with deficiencies* should be issued when the review team concludes that the system of quality control for the OIG audit organization has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and legal and regulatory requirements except for a certain deficiency or certain deficiencies described in the report. These deficiencies are conditions related to the reviewed OIG audit organization’s design of its system of quality control and compliance with GAGAS, and policies and procedures that could create a situation in which the OIG would have less than reasonable assurance of performing and reporting in conformity with applicable professional standards in one or more important respects due to the nature, causes, and pattern or pervasiveness. This includes the relative importance of the deficiencies to the system of quality control taken as a whole. In a scope limitation, a report with a rating of *pass with deficiencies with a scope limitation* is issued. Sample *pass with deficiencies* reports are in Section 3, paragraphs 8 and 9.
			3. ***Fail.*** An External Peer Review report with a rating of *fail* should be issued when the review team has identified a significant deficiency or significant deficiencies and concludes that (1) the system of quality control for the reviewed OIG audit organization is not suitably designed to provide the OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and legal and regulatory requirements in all material respects, or (2) the audit organization has not complied with its system of quality control to provide the OIG with reasonable assurance of performing and reporting in conformity in all material respects with professional standards and applicable legal and regulatory requirements. In a scope limitation, a report with a rating of *fail with a scope limitation* is issued. Sample *fail* reports are in Section 3, paragraphs 10 and 11.

The formulation of the External Peer Review report rating should be based upon the overall conclusion drawn from the assessment of the design of the reviewed OIG audit organization’s system of quality control and the findings disclosed when determining the extent of compliance with the applicable professional standards and policies and procedures. OIGs should use the information in Figure 3 on page 23 to help formulate the report rating.

The significance of disclosed findings in the selected engagements 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 the reviewed OIG audit organization’s engagement reports may be impacted if one of the following conditions or combination of conditions exists:

* The evidence presented is untrue, and findings are not correctly portrayed.
* The findings and conclusions are not supported by sufficient, appropriate evidence.
* The evidence included in the engagement reports does not demonstrate the correctness and reasonableness of the matters reported.
* The report does not accurately describe the engagement scope and methodology and findings, and the 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 engagements issued by multiple organizational units) of the deficiencies should also be considered. A single, isolated (non-systemic) deficiency would be insufficient to support a report with a rating of *pass with deficiencies* or *fail* unless extraordinary circumstances prevail (for example, the magnitude of the deficiency significantly or irretrievably caused a lack of organizational credibility).

If instances of noncompliance with GAGAS are identified, the extent of the lack of adherence should be considered, given the flexibility afforded by the standards. For example, the fieldwork standard for supervision requires that auditors should document supervisory review, before the report release date, of the evidence that supports the findings conclusions, and recommendations contained in the engagement report.[[18]](#footnote-19) 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 engagement, including “the size of the audit organization, the significance of the work, and the experience of the auditors.”[[19]](#footnote-20) 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 where the noncompliance exists and providing the basis for the conclusion.

In the absence of identifying significant and pervasive deficiencies in the selected engagements reviewed, design deficiencies alone would not ordinarily be sufficient to result in an External Peer Review report rating of *pass with deficiencies* or *fail*. These ratings would require extraordinary circumstances. If, however, reviewed audit reports are identified as 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 of quality control generally are of greater concerns because 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 engagement reports were due to lack of compliance with the system of quality control, the design itself may need to be strengthened to increase compliance.

Figure 3. GAO Guidance to Develop Peer Review Communications for Observed Matters in Accordance with Generally Accepted Government Auditing Standards[[20]](#footnote-21)



**External Peer Review Report Contents**

1. The External Peer Review report should:
2. At the top of the report, state the title, “System Review Report.”
3. State that the reviewed OIG’s system of quality control for the audit function was reviewed and include the period covered by the External Peer Review.
4. State that the External Peer Review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.
5. State that the reviewed OIG is responsible for establishing and maintaining a system of quality control and complying with it to provide the organization with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements.
6. State that the reviewer’s responsibility is to express an opinion on the design of the system of quality control and the OIG’s compliance based on the review.
7. Describe the nature, objectives, scope, limitations of, and procedures performed in the External Peer Review.
8. Describe the process for the External Peer Review, including the process for the selection of the reviewed OIG’s engagements for review.
9. Describe the limitations of a system of quality control.
10. Include a reference to a separate letter of comment or other written communication, if applicable. The reference to the letter of comment will indicate that the other matters or findings discussed do not affect the overall opinion.
11. As applicable, describe the scope of the work related to the OIG’s IPA monitoring activities where the IPA was engaged as the auditor. 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 any matters noted with IPA monitoring are included in the letter of comment.
12. Include an enclosure that describes the External Peer Review scope and methodology, including a list of the reports reviewed and the reviewed OIG offices visited. The enclosure should also discuss any limitations and expansions of the scope, if applicable.
13. Identify the different peer review ratings that the reviewed OIG could receive: *pass, pass with deficiencies,*[[21]](#footnote-22) *and fail*.
14. In a report with a 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 in all material respects with applicable professional standards and legal and regulatory requirements.
* State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *pass*.
1. In a report with a 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 in all material respects with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and legal and regulatory requirements.
* State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *pass with deficiencies*.
1. In a report with a 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 in all material respects with applicable professional standards and legal and regulatory requirements.
* State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *fail*.
1. In a scope limitation for any of the report ratings (*pass, pass with deficiencies,* or *fail)*, include an additional paragraph to describe the nature of the scope limitation. The illustrative reports in Section 3 include the sample changes to the standard report language for a scope limitation and are marked in ***bold italics***. For purposes of the illustrative reports, we have not included the illustrative sections for when a letter of comment is issued, and the scope of the review includes IPA monitoring.
2. Include, for reports with a rating of *pass with deficiencies* or *fail*, a description of the deficiencies or significant deficiencies and the review team’s recommendations.
3. Identify any deficiencies or significant deficiencies included in the report with a rating of *pass with deficiencies* or *fail*, or that were included in the letter of comment that had been included in the previous peer review report issued on the reviewed OIG. This should be determined based on the underlying systemic cause of the deficiencies or significant deficiencies.
4. Include in a final report with a rating of *pass with deficiencies* or *fail*, an enclosure with the reviewed OIG’s official response to the findings and recommendations.
5. If a separate letter of comment is issued, include the reviewed OIG’s official response to findings and recommendations as an enclosure to the letter of comment. The letter of comment need not be posted publicly because it is intended to provide only the reviewed OIG with the opportunity to take appropriate actions to correct findings that are not deficiencies.

**Letter of Comment**

1. A letter of comment or separate written communication should be issued in connection with the 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 in all material respects with professional standards and legal and regulatory requirements—and in an External Peer Review, the findings were not sufficiently significant to affect the report rating. The letter of comment should also include any findings noted with a noncompliance with the reviewed OIG’s policies and procedures or the reviewed OIG’s IPA monitoring activities. The letter of comment should provide reasonably detailed descriptions of the findings and recommendations to enable the reviewed OIG to take appropriate actions. Sample letters of comment are in Section 3, paragraphs 12, 14, and 16.

**Views of Responsible Officials**

1. To ensure the objectivity, accuracy, and completeness of the findings, the review team should obtain the views of responsible officials of the reviewed OIG for the peer review report and the letter of comment, if applicable. When deficiencies are found during the review, the team should discuss the issues with the reviewed OIG 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 avoid 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. When the discussion draft report is issued, 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 peer review team should consider any written comments from the reviewed OIG and if necessary, include the team comments or rebuttals in the final report. The entire written response from the reviewed OIG should be included in the final report and in the letter of comment, if applicable.

**Report Distribution and Follow-Up**

1. The reviewed OIG should make its most recent peer review report publicly available and provide copies of the final report to the head of its agency, appropriate oversight bodies, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee. The letter of comment need notbe posted publicly because it is intended to provide only the reviewed OIG with the opportunity to take appropriate actions to correct non-significant issues related to nonconformance with professional standards, policies, or procedures. In addition to transparency through methods such as website posting and transmittal to those charged with governance, the OIG is required to include in its semiannual reports to Congress a discussion of the results of the peer reviews conducted or received, and any outstanding recommendations from past peer reviews. These requirements do not include the letter of comment and its results and recommendations.
2. The reviewed OIG is responsible for implementing recommendations in the peer review report. A follow-up on implemented recommendations should be included in the scope of the reviewed OIG’s next peer review.

##### Section 3

##### Peer Review Illustrative Materials

1. This section contains illustrative materials the peer review team may use to prepare a memorandum of understanding (MOU), transmittal letter, peer review report, and letter of comment. The sample documents are divided into three categories that apply to both kinds of peer reviews—External Peer Reviews and a Modified Peer Reviews. The sample documents contain general elements and examples and should be modified to fit the circumstances of each review and the needs of the teams. The peer reviews cover the year-end dates of either March 31 or September 30. For illustrative purposes, the examples are based on a year-end date of March 31.

**Sample Memorandum of Understanding and Transmittal Memorandum**

These documents should be used when conducting the peer reviews. When preparing the documents, the options in *[italics and in brackets]* require the auditor to select the texts applicable to either the External Peer Review (referred to as the System Review Report) or the Modified Peer Review. In addition, the items in (parentheses) require the auditor to insert the applicable names or requested information.

1. **Peer Review Memorandum of Understanding**

**[*EXTERNAL* or *MODIFIED*] 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 a mutual understanding between the (name of reviewing agency) Office of Inspector General (OIG) and the (name of reviewed agency) OIG regarding the fundamental aspects of the [*External* **OR** *Modified*] Peer Review of (name of reviewed agency) OIG audit organization’s [**for External Peer Review use**- *system of quality control* **OR for Modified Peer Review use**- *policies and procedures*]. The parties listed in the MOU entered into this agreement under the Inspector General Act of 1978, as amended.

**Points of Contact**

(list of contacts for reviewing agency OIG)

(list of contacts for the reviewed agency OIG)

**Staffing of (name of agency) OIG Review Team**

The review team captain is (name and title). The team members will be independent and objective, as defined by GAGAS, and collectively have sufficient knowledge and experience to perform the peer review. To the extent feasible, the team includes personnel with prior experience on an external peer review or internal quality assurance review. The review team captain is responsible for the proper supervision of the review team.

**Objective**

The objective of this [*External* OR *Modified*] Peer Review is to determine whether, for the period under review, (name of reviewed agency) OIG audit organization’s [**for External Peer Review use**- *system of quality control was suitably designed and whether the audit organization is complying with its system of quality control to provide it with reasonable assurance of conformance with applicable professional standards and applicable legal and regulatory requirements* **OR Modified Peer Review use**- *established policies and procedures for the audit function are current and consistent with applicable professional standards*]. As applicable, the review will also determine whether controls over monitoring of contracted GAGAS engagements performed by Independent Public Accountants (IPAs), where the IPA serves as the auditor, are suitably designed and complied with.

**Review Approach**

We will use the [**for External Peer Review add**- *Government Auditing Standards and*] Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General (include year if desired)* in the conduct of the review. These documents set the following approach:

[**For External Peer Review use**-

* *Gain an understanding of (name of reviewed agency) OIG audit organization and its system of quality control, and if applicable, established policies and procedures for the audit function.*
* *Evaluate whether the OIG’s policies and procedures are designed to provide reasonable assurance that generally accepted government auditing standards (GAGAS) and other pertinent requirements are met.*
* *Interview various levels of the OIG’s professional staff to assess their understanding of and compliance with relevant quality control policies and procedures.*
* *Gain an understanding of the OIG’s quality control and assurance program, and review selected internal quality assurance reports.*
* *Using the knowledge obtained from the preceding steps, assess peer review risk, select the office(s) and GAGAS engagements to review, and determine the nature and extent of tests to perform.*
* *Review a sample of GAGAS engagements to determine their adherence to GAGAS.*
* *Gain an understanding as to the extent the OIG uses contracted IPAs to perform GAGAS engagements where the IPA is the auditor, and the policies and procedures for monitoring of IPA work.*
* *Review the OIG’s IPA monitoring documentation for a sample of contracted GAGAS engagements, emphasizing the monitoring activities to ensure the IPAs’ adherence to professional standards.*
* *Review other documents necessary to assess compliance with standards; for example, independence and continuing professional education documentation, and relevant human resources files.*
* *Maintain open communication to ensure an understanding of the issues evaluated and an awareness 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 peer review risk. The review team will sample the GAGAS engagements and internal quality assurance activities at headquarters and field offices. The review team will also sample the engagements it believes are necessary to meet the review objectives. During the review, the team will exercise professional judgment in all matters relating to planning, performing, and reporting the results of the peer review***.**]

[**For Modified Peer Review use**-

* *Gain an understanding of (name of reviewed agency) OIG audit organization and if applicable, established policies and procedures for the audit function.*
* *Evaluate whether the OIG’s policies and procedures are designed to provide reasonable assurance that generally accepted government auditing standards (GAGAS) and other pertinent requirements are met.*
* *Gain an understanding as to the extent the OIG uses contracted IPAs to perform GAGAS engagements where the IPA is the auditor, and the policies and procedures for monitoring of IPA work.*
* *Review the OIG’s IPA monitoring documentation for a sample of contracted GAGAS engagements, emphasizing the monitoring activities to ensure the IPAs’ adherence to professional standards.*
* *Maintain open communication to ensure an understanding of the issues evaluated and an awareness of potential issues as they arise.]*

**Scope of the [*External* OR *Modified*] Peer Review**

[**For the External Peer Review use**- *The scope of the External Peer Review will cover the elements of (name of reviewed agency) OIG audit organization’s system of quality control that is designed to provide it with reasonable assurance that GAGAS engagements anticipated to be conducted by the OIG will be carried out in accordance with GAGAS. The review will include GAGAS engagement reports issued during the 1-year period (or longer, if needed) that ends on March 31, 2021 (this date is for illustrative purposes and it is three years after the end date of the period covered by the reviewed OIG’s prior peer review.) The review team will also review select internal quality assurance review reports and related review documentation issued during and subsequent to the 3-year period. If appropriate, the scope will also include the monitoring activities of the IPAs for which the OIG directly contracted to perform GAGAS engagements to ensure the IPAs’ adherence to professional standards. The review team may review other engagements and documentation, as it deems necessary.*

*(Name of reviewed agency) OIG shall provide, in writing, a description and a listing of all nonaudit services provided to [Agency or Department] management within the prior three years. (Name of reviewed agency) OIG shall also provide any related documentation required for the independence standards.*]

**OR**

[**For the Modified Peer Review use**- *The scope of the Modified Peer Review will cover (name of reviewed agency) OIG audit organization’s established audit policies and procedures that are designed to provide it with reasonable assurance that GAGAS engagements anticipated to be conducted by the OIG will be carried out in accordance with GAGAS. (If applicable, keep the next sentence in the MOU) The scope will also include the monitoring activities of the IPAs for which the OIG directly contracted to perform GAGAS engagements to ensure the IPAs’ adherence to professional standards. The review team may review other documentation, as it deems necessary.*]

**Administration**

(Name of reviewed agency) OIG shall designate an individual to facilitate administrative support and provide the review team with the appropriate office space, desks, telephone service, and other office equipment; and access to copying facilities. The review team shall have access to (name of reviewed agency) OIG’s personnel. [**For External Peer Review use**- *(Name of the reviewed agency) OIG shall provide the review team with access to* *all internal quality assurance documents, engagement documentation, operational manuals, and other files of the reviewed OIG audit organization necessary to conduct the External Peer Review. (Name of reviewed agency) OIG will inform the review team of any circumstances, such as engagements containing classified information, that will require a certain level of security clearance to review. The review team will provide personnel with the appropriate clearance level to review these engagements, as well as follow (name of reviewed agency) OIG’s procedures for handling classified information.* **OR for Modified Peer Review use**-*(Name of the reviewed agency) OIG shall provide the review team with access to* *documents, operational manuals, and other files necessary to conduct the Modified Peer Review*.]

**Review Milestone**

The following represents the review team’s estimated timeline for its review (dates below are for illustrative purposes only):

|  |  |
| --- | --- |
| Date | Action |
| April 2021 | Complete preliminary work |
| May 2021 | Conduct entrance conference |
| July 2021 | Complete fieldwork |
| August 2021 | Transmit discussion draft report to (name of reviewed agency) OIGConduct exit conference and discuss any unofficial commentsTransmit formal draft report to (name of reviewed agency) OIG |
| September 2021 | Receive formal written response from (name of reviewed agency) OIGIssue final report to (name of reviewed agency)’s Inspector General |

**Preliminary Findings and Briefings**

The review team anticipates providing timely interim discussions of preliminary findings with the goal of reaching agreement on each potential issue at the earliest point in the review process. The review team will also hold exit meetings for each site reviewed. The primary purpose of these meetings is to verify the facts related to the engagements or other documentation.

At the completion of the fieldwork, the review team will hold an exit briefing to discuss the preliminary results of the review, the report rating anticipated, and any areas of noncompliance.

**Reporting**

After the preliminary findings have been discussed and the facts have been verified, (name of reviewing agency) OIG will issue a discussion draft report to (name of reviewed agency) OIG to provide preliminary results [for External Peer Review use- *and system of quality control report rating* OR for Modified Peer Review use- *of the adequacy of policies and procedures*]. A separate letter of comment will also be provided as necessary. (Name of reviewing agency) OIG will then arrange and hold an exit conference to discuss the results of the review. (Name of reviewed agency) OIG will provide informal comments on the discussion draft at the exit conference. (Name of reviewing agency) OIG will issue a formal draft report to (name of reviewed agency) OIG. (Name of reviewed agency) OIG will provide its written comments within 30 days after the formal draft report is issued. A final written report will be signed by the (name of reviewing agency) Inspector General and issued to the (name of reviewed agency) Inspector General. The report will be prepared in accordance with the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. (Name of reviewed agency) OIG will be responsible for distributing the report in accordance with [for External Peer Review add- *GAGAS and*] CIGIE guideline(s).(Name of reviewing agency) OIG will refer any third-party requests for the report to (name of reviewed agency) OIG.

**Disposition of Review Documentation**

The review team will prepare appropriate documentation to support the work performed and the results of the review. (Name of reviewing agency) OIG shall keep this documentation until a subsequent peer review is performed of (name of reviewed agency) OIG and shall provide the documentation to the subsequent reviewing OIG. (Name of reviewed agency) OIG shall have access upon request to the review team’s documentation during the comment period and after the issuance of the final report. If either OIG receives a request (for example, Freedom of Information Act requests, litigation or discovery demands, or requests from oversight bodies) for documentation that was obtained from the other OIG during the peer review, the OIG receiving the request shall not release or disseminate such documentation without first consulting with the other OIG, and obtaining, if possible, the other OIG’s release/dissemination recommendations. Depending on the nature of the request, the reviewing OIG may need to refer the request for documentation to the reviewed OIG for further processing. For details on the handling of such requests, see the Appendix.

**Semiannual Reports to Congress**

(Name of reviewed agency) OIG and (name of reviewing agency) OIG will report on this Peer Review in their respective semiannual reports to Congress under the Inspector General Act of 1978, as amended, 5 U.S.C. App.3, § 5(a)(14) to (16), and consistent with the CIGIE *Implementing Guidance for OIG Reporting of Peer Review Results in Semiannual Reports to the Congress* (if desired, add a footnote with the date of the Guide.) Specifically, (name of reviewed agency) OIG will report on the peer review conducted by (name of reviewing agency) OIG for the applicable semiannual reporting periods, and provide a list of any outstanding recommendations from prior peer review reports that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete. (Name of reviewing agency) OIG will report on this peer review for the applicable semiannual reporting periods, and will include a list of any outstanding recommendations from prior peer review reports that remain outstanding or have not been fully implemented. In this regard, (name of reviewed agency) OIG will coordinate with (name of reviewing agency) OIG as necessary so that (name of reviewing agency) OIG can meet this reporting responsibility. These requirements do not apply to outstanding recommendations from the any prior peer reviews’ letters of comment.

The peer review will be conducted in accordance with [External - Generally Accepted Government Auditing Standards and] CIGIE peer review requirements.

The undersigned agree with the conditions contained in this MOU.

 Date

Inspector General

(Agency Name)

 Date

Inspector General

(Agency Name)

**Appendix**

**Additional Information Related to Disposition of Review Documentation**

For requests or legal demands received by the *reviewing* OIG for the peer review documentation, the reviewing OIG will consider the documentation it received from the reviewed OIG to still be within the reviewed OIG's possession and control, and:

* For requests under the Freedom of Information Act (5 U.S.C. § 552), the reviewing OIG (a) will provide documentation supplied by the reviewed OIG to the reviewed OIG for response directly to the requester; and (b) will consult with the reviewed OIG regarding reviewed-OIG information contained in documentation generated by the reviewing OIG. Also, the reviewing OIG will obtain the reviewed OIG's disclosure recommendations and legal basis relative to such information, provided that the reviewing OIG (or, where applicable, the reviewing OIG's agency) has final say as to the response to the requester. In all cases, the reviewed and reviewing entities will comply with statutory provisions, implementing guidance from the reviewed OIG’s agency, and applicable case law in making their disclosures or withholding of peer review documentation.
* For discovery demands under the applicable rules of civil procedure or similar legal process and other legal authorities--to include subpoenas--for some or all of the peer review documentation, the reviewing OIG will advise the reviewed OIG of the existence of such demands and will advise the litigating parties or adjudicative body that the documentation being sought belongs to the reviewed OIG. The reviewed OIG will have the responsibility to (a) advise the reviewing OIG regarding whether, or under what circumstances, to produce the documentation being sought or (b) intervene or otherwise communicate with the litigating parties or adjudicative body regarding the production of such documentation or the obtaining of protective orders or equivalent, as permitted under applicable law.
* For requests from oversight bodies, such as the Government Accountability Office or reviewing bodies empowered to examine peer reviewing entities, the reviewing OIG will advise the reviewed OIG of the existence of such request and will advise the oversight body that the requested documentation belongs to the reviewed OIG. The reviewed OIG will have the responsibility (a) to advise the reviewing OIG regarding whether, or under what circumstances, to provide the requested documentation and (b) communicate with the oversight body regarding the requested documentation.

For requests or legal demands received by the reviewed OIG for the peer review documentation, the reviewed OIG will consider the documentation it provided to the reviewing OIG to still be within the reviewed OIG's possession and control. If, as part of its efforts to respond to such requests or legal demands, the reviewed OIG needs access to the documentation it had provided to the reviewing OIG, the reviewed OIG shall be given access, upon its request, to the documentation and may review and copy the documentation (or, if the parties agree, the reviewing OIG will make copies of the documentation and provide them to the reviewed OIG.)

1. **Transmittal Memo for the Peer Review Discussion Draft**

Addressee (Name/Title (Inspector General or Assistant Inspector General for Audit)/Name of Department or Agency/Address)

Subject: [*External* **OR** *Modified*] Peer Review Discussion Draft Report on the (Name of Department or Agency) Office of Inspector General Audit Organization

Dear (Name of Inspector General or Assistant Inspector General for Audit):

Attached is the discussion draft of the [*System* **OR** *Modified Peer*] Review Report of the (Name of Department or Agency’s) Office of Inspector General audit organization conducted in accordance with [**for External Peer Review add**- *Government Auditing Standards and*] the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Please review the report and prepare unofficial comments for discussion at the exit conference. We will contact you soon to arrange for an exit conference.

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

(Name)

Title

Enclosure

1. **Transmittal Memo for the Peer Review Formal Draft**

Addressee (Name/Title/Name of Department or Agency/Address)

Subject: [*External* **OR** *Modified*] Peer Review Formal Draft Report on the (Name of Department or Agency) Office of Inspector General Audit Organization

Dear (Name of Inspector General or Assistant Inspector General):

Attached is the formal draft of the [*System* **OR** *Modified Peer*] Review Report of the (Name of Department or Agency) Office of Inspector General audit organization conducted in accordance with **[for External Peer Review add**- *Government Auditing Standards and*] the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. We discussed this review with you and 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 formal draft by (date) specifying corrective actions taken or planned on each recommendation and proposed completion dates for implementation of such actions. We will incorporate your response and our conclusions into the final report.

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

(Name)

Title

Enclosure

1. **Transmittal Memo for the Peer Review Final Report**

(OIG Letterhead)

Inspector General

(Name of Department or Agency)

(Address)

Subject: [*System* **OR** *Modified Peer*] Review Report on the (Name of Department or Agency’s) Office of Inspector General Audit Organization

Dear (Name of Inspector General):

Attached is the [*System* **OR** *Modified Peer*] Review Report of the (Name of Department or Agency’s) Office of Inspector General conducted in accordance with [**for External Peer Review add**- *Government Auditing Standards and*] the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an exhibit with excerpts and our comments incorporated into the relevant sections of the report.

We appreciate the cooperation and courtesies extended to our staff during the review.

(Name)

Inspector General

Enclosure

**Sample Documents for the External Peer Review**

The following reports should be used with the External Peer Review. The items in (parentheses) require the auditor to insert the applicable names or requested information. In addition, the items in [brackets] should be added for the situation applicable to the report. The External Peer Review report is referred to as the System Review Report.

1. **External Peer Review Report Rating of *Pass***

(OIG Letterhead)

System Review Report

(Date)

(Name), Inspector General

(Name of Agency)

We have reviewed the system of quality control for the audit organization of (name of reviewed agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements*.* The elements of quality control are described in *Government Auditing Standard*s.

In our opinion, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], has been suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*,or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *pass*.

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG ’s monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 agency) OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) that sets forth comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. The GAGAS engagements selected represented a reasonable cross-section of (reviewed agency) OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed agency) OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices that we visited and the engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed agency) OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of X of XX engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from [April 1, 20XX, through March 31, 20XX, or October 1, 20XX, through September 30, 20XX] (identify the time period used to select the GAGAS engagements.) We also reviewed the internal quality control reviews performed by (reviewed agency) OIG.

In addition, we reviewed (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from [April 1, 20XX, through March 31, 20XX, or October 1, 20XX, through September 30, 20XX]. During the period, (reviewed agency) OIG contracted for the audit of its agency’s fiscal year 20XX financial statements. (Reviewed agency) OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

We visited (reviewed agency) OIG offices located in Houston, TX; Louisville, KY; and Atlanta, GA.

Reviewed GAGAS Engagements Performed by (reviewed OIG) *(Identify audit reports selected for review. For example:)*

|  |  |  |
| --- | --- | --- |
| Report No.  | Report Date | Report Title  |
| 2019-AA-0001 | 12/13/20XX | Audit Report on Contracting Practices |
| 2019-AA-0001 | 12/13/20XX | Audit Report on HR Practices |

Reviewed Monitoring Files of (reviewed OIG) for Contracted GAGAS Engagements *(Identify audit reports issued by IPAs selected for review of the OIG’s monitoring activities. For example:)*

|  |  |  |
| --- | --- | --- |
| Report No.  | Report Date | Report Title  |
| 2019-AA-0001 | 11/15/20XX | Audit Report on (reviewed agency)’s Financial Statements for Fiscal Year 20XX |
| 2019-AA-0001 | 11/15/20XX | Audit Report of Material Loss Review of ABC Bank |

1. **External Peer Review Report Rating of *Pass with a Scope Limitation***

(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 agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, except for any deficiencies or significant deficiencies that might have come to our attention had we been able to review engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) performed by the (reviewed agency) OIG’s Houston office, as described below, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], has been suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects. Specify applicable legal and regulatory requirements here.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*,or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *pass* ***with a scope limitation***.

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 agency) OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs which we included in the above referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

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

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed agency) OIG management to discuss the results of our review.

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. ***Except as discussed above****,* the GAGAS engagements selected represented a reasonable cross‑section of the (reviewed agency) OIG audit organization, with emphasis on higher-risk GAGAS engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices we visited and the GAGAS engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Use Enclosure 1 example on page 37.

1. **External Peer Review Report 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 agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, except for the deficiencies described below, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], has been suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements. Specify applicable legal and regulatory requirements here.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*,or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *pass with deficiencies*.

**Descriptions of Deficiencies**

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 GAGAS engagements reports 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 six months later. Therefore, the audit report finding was inaccurate, and the recommendation was not applicable. An independent referencing step in the guide called for validation of the finding’s criteria, but we were informed that this step was not performed due to time constraints.

Recommendation – (Reviewed agency) 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.

* 1. Deficiency – (Describe in format as stated above)

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

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG’s monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 agency) OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed agency) OIG management to discuss the results of our review.

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the (reviewed agency) OIG audit organization, with an emphasis on higher-risk GAGAS engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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.

We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices we visited and the GAGAS engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Use Enclosure 1 example on page 37.

1. **External Peer Review Report Rating of *Pass with Deficiencies with a Scope Limitation***

(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 agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with Government Auditing Standards (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, except for the deficiencies described below and any additional deficiencies or significant deficiencies that might have come to our attention had we been able to review engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by the (reviewed agency) OIG’s Houston office, as described below, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], has been suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements. Specify applicable legal and regulatory requirements here.

Audit organizations can receive a rating of *pass, pass with deficiencies*, or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *pass with deficiencies* with a scope limitation.

**Descriptions of Deficiencies**

During our review, we noted the following deficiencies:

1. Deficiency – We identified errors in XX of the XX audit reports examined that limited the reliability of the reports. These XX GAGAS engagements 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 when the program office took the action. The audit documentation shows that the issue for which noncompliance was cited did not become effective until six months later. Therefore, the report finding was inaccurate, and the recommendation was not applicable. An independent referencing step in the guide called for validation of the finding’s criteria, but we were informed that it was not performed due to time constraints.

Recommendation – (reviewed agency) 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.

1. Deficiency – (Describe in format as stated above)

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

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 agency) OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

(Reviewed agency) OIG notified us that all documentation for GAGAS engagements performed by its Houston office during the period under review and for the five prior years were destroyed because of a natural disaster. As a result, we were unable to review a cross-section of all (reviewed agency) OIG offices in accordance with CIGIE peer review guidelines.

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

Prior to concluding the review, we reassessed the adequacy of the scope of the External Peer Review procedures and met with (reviewed agency) OIG management to discuss the results of our review.

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. Except as discussed above, the GAGAS engagements selected represented a reasonable cross section of (reviewed agency) OIG’s audit organization, with an emphasis on higher-risk GAGAS engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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.

We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices we visited and the GAGAS engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements.

Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance therewith based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Use Enclosure 1 example on page 37.

1. **External Peer Review Report 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 agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, as a result of the significant deficiencies described below, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], was not suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and/or reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements. Specify applicable legal and regulatory requirements here.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*,or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *fail*.

**Descriptions of Rating of Fail**

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed agency) OIG’s system of quality control 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 engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) 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 because of weaknesses in the system of quality control. 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, and the audit documentation did not 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.

Recommendation – (Reviewed agency) 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.

1. Deficiency – (Describe in format as stated above)

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

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 agency) OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above-referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed agency) OIG management to discuss the results of our review.

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the (reviewed agency) OIG’s audit organization, with emphasis on higher-risk GAGAS engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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.

We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices we visited and the GAGAS engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance therewith based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Use Enclosure 1 example on page 37.

1. **External Peer Review Report Rating of *Fail with a Scope Limitation***

(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 agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX]. A system of quality control encompasses (the reviewed agency) OIG’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with Government Auditing Standards (if desired, add a footnote with the issue date) and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, as a result of the significant deficiencies described below, and any additional deficiencies or significant deficiencies that might have come to our attention had we been able to review engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) performed by the (reviewed agency) OIG’s Houston office as described below, the system of quality control for the audit organization of (reviewed agency) OIG in effect for the year ended [March 31, 20XX or September 30, 20XX], was not suitably designed and complied with to provide (reviewed agency) OIG with reasonable assurance of performing and/or reporting in conformity in all material respects with applicable professional standards and applicable legal and regulatory requirements. Specify applicable legal and regulatory requirements here.

Audit organizations can receive a rating of *pass, pass with deficiencies*, or *fail*. (Reviewed agency) OIG has received an External Peer Review rating of *fail* with a scope limitation.

**Descriptions of Rating of Fail**

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed agency) OIG’s system of quality control 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 GAGAS engagements 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 weaknesses in the system of quality control. 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, and the audit documentation did not 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 agency) 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.

1. Deficiency – (Describe in format as stated above)

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

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit; therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed agency) OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

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.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect the opinion expressed in this report. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comment only includes IPA monitoring issues.**]

**Basis of Opinion**

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

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (if desired, add a footnote with the date of the Guide).

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with (reviewed agency) OIG management to discuss the results of our review.

During our review, we interviewed (reviewed agency) OIG personnel and obtained an understanding of the nature of the (reviewed agency) OIG audit organization, and the design of (reviewed agency) OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with (reviewed agency) OIG’s system of quality control. Except as discussed above, the GAGAS engagements selected represented a reasonable cross section of the (reviewed agency) OIG’s audit organization, with emphasis on higher-risk GAGAS engagements.

In performing our review, we obtained an understanding of the system of quality control for the (reviewed agency) OIG audit organization. In addition, we tested compliance with (reviewed agency) OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of (reviewed agency) OIG’s policies and procedures on selected GAGAS 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.

We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies (reviewed agency) OIG offices we visited and the GAGAS engagements we reviewed.

**Responsibilities and Limitation**

(Reviewed agency) OIG is responsible for establishing and maintaining a system of quality control designed to provide (reviewed agency) OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed agency) OIG’s compliance therewith based on our review.

There are inherent limitations in the effectiveness of any system of quality control; 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.

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Use Enclosure 1 example on page 37.

1. **External Peer Review 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 agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX or September 30, 20XX], and have issued our report thereon dated September 30, 20XX, in which (reviewed agency) 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’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 (if desired, add a footnote with the issue date). These checklists were not completed on 3 of 10 engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) 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 GAGAS engagements reviewed, the supervisory review of the work occurred at the end of the audit. According to the supervisors involved, this occurred because other ongoing GAGAS engagements, which had higher priority at the time, demanded their 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 the Scope of the External Peer 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 agency) OIG’s monitoring of audit work performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. The matter described below was identified:

**Finding 3. IPA Monitoring – IPA Peer Review Reports**

The OIG’s audit policies and procedures require for all contracted GAGAS engagements, that 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 (reviewed agency) fiscal year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one was not obtained. Although the staff subsequently obtained a copy showing 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 – The AIGA should reemphasize its policy to obtain the latest 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

**Sample Documents for the Modified Peer Review**

These reports should be used with the Modified Peer Review. The items in (parentheses) require the auditor to insert the applicable names or requested information.

1. **Modified Peer Review Report (with Audit Policies and Procedures)**

(OIG Letterhead)

Modified Peer Review Report

(Date)

To (Name), Inspector General

(Name of Agency)

We reviewed established policies and procedures for the audit function of (reviewed agency) Office of Inspector General (OIG) in effect at [March 31, 20XX, or September 30, 20XX]. Established policies and procedures are one of the components of a system of quality control to provide (reviewed agency) OIG with reasonable assurance of conforming with applicable professional standards. The components of a system of quality control are described in the *Government Auditing Standards* (if desired, add a footnote with the issue date).

Based on our review, the established policies and procedures for the audit function at [March 31, 20XX, or September 30, 20XX] were {*or were not*} current and consistent with applicable professional standards as stated. {*If not current or consistent, add “We have identified several areas where (reviewed agency) OIG could improve the established policies and procedures.” If current and consistent with professional standards but was not material to include in this report, then add, “We have also identified several areas where (reviewed agency) OIG could improve the established policies and procedures but were not material to include in this report.”*}

**Findings and Recommendations**

Finding 1. Procedures for the Monitoring of Quality

(Reviewed agency) OIG audit policies and procedures do not include requirements for monitoring the quality of the audit function. Generally accepted government auditing standards require audit organizations to establish policies and procedures for monitoring of quality in the audit organization. Monitoring quality is an ongoing, periodic assessment of work completed on engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) designed to provide management of the OIG with reasonable assurance that policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. Even though (reviewed agency) OIG has not performed GAGAS engagements, including monitoring requirements policies and procedures will help ensure that when it performs GAGAS engagements that the established system is adequate and effective.

Recommendation – The OIG should revise its policies and procedures to include requirements for the monitoring of quality for the audit function.

Views of Responsible Official – Agree.

Finding 2. (Describe as stated above)

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants [Use when the scope of the review includes IPA monitoring.]**

In addition to reviewing established policies and procedures for the audit function of (reviewed agency) OIG, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor.

It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit; therefore, it is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed agency) OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

**Letter of Comment [Insert this section when a letter of comment is issued.]**

We have issued a letter dated (insert date) that sets forth findings that were not considered to be of sufficient significance to affect our conclusions on the established policies and procedures.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above-referenced letter dated (insert date). **[Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.]**

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect our conclusions on the established policies and procedures. **[Insert the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comments only includes IPA monitoring issues.**]

**Basis of Results**

Our review was conducted in accordance with the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* for assessing established audit policies and procedures.

During our review, we (1) obtained an understanding of the nature of the (reviewed agency) OIG’ audit function and (2) assessed established audit policies and procedures {add if IPA monitoring was included and (reviewed agency) OIG’s IPA monitoring process and *add other or delete steps as needed such as interviewing (reviewed agency) OIG personnel*}. We also visited the following offices {add if IPA monitoring was included and reviewed the following IPA monitoring projects}:

1. Washington, D.C.
2. Project ABC123

/s/

(Name), Inspector General

1. **Modified Peer Review Letter of Comment (with Audit Policies and Procedures)**

(OIG Letterhead)

(Date)

To (Name), Inspector General

(Name of Agency)

We have reviewed the established audit policies and procedures of the (reviewed agency) Office of Inspector General (OIG) in effect for the year ended [March 31, 20XX, or September 30, 20XX] including monitoring of work conducted by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor, and we issued our report dated [March 31, 20XX, or September 30, 20XX,] in which we determined that the OIG’s policies and procedures for the audit function [were or were not] current and consistent with applicable professional standards. That report should be read in conjunction with the comments in this letter, which were considered in determining our results.

The finding(s) described below was (were) not considered to be of sufficient significance to impact the determination made on the established policies and procedures described in that report.

Finding 1. Independence

The established policies and procedures do not describe specific requirements for documenting the identification of threats to independence and the resulting safeguards adopted to reduce or eliminate the identified threats.

Recommendation – The OIG should prescribe requirements for documenting threats to independence and applicable safeguards implemented in accordance with *Government Auditing Standards*.

Views of Responsible Official – Agree.

Finding 2. IPA Monitoring – IPA Peer Review Reports

The OIG’s policies and procedures require, for all contracted engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements), that staff obtain and document in the monitoring records a copy of the IPA’s most recent peer review report and, if applicable, the Finding for Further Consideration forms submitted to the administering entity. We noted that the monitoring files for the contracted audit of the (reviewed agency) fiscal year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one had not been obtained. The staff subsequently obtained a copy which showed that the IPA had received a peer review rating of *pass*, but 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.

/s/

(Name), Inspector General

1. **Modified Peer Review Report (without Audit Policies and Procedures)**

(OIG Letterhead)

Modified Peer Review Report

(Date)

To (Name), Inspector General

(Name of Agency)

Established policies and procedures are one of the components of a system of quality control to provide an Office of Inspector General (OIG) with reasonable assurance of conforming with applicable professional standards. The components of a system of quality control are described in the *Government Auditing Standards* (if desired, add a footnote with the issue date).

It is the responsibility of (reviewed agency) OIG to establish and maintain policies and procedures for the audit function. Our responsibility is to assess whether policies and procedures, if submitted for review, were current and consistent with applicable professional standards.

(Reviewed agency) OIG did not establish audit policies and procedures because (*explain why the OIG chose to not have policies and procedures)*. In this case, not having audit policies and procedures is not considered a weakness, and we did not review any policies and procedures as part of this review.

**Monitoring of GAGAS Engagements Performed by Independent Public Accountants (Use when the scope of the review includes IPA monitoring.)**

We applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* related to the (reviewed agency) OIG’s monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor.

It should be noted that monitoring of GAGAS engagements performed by IPAs is not a GAGAS engagement; therefore, it is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed agency) OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on (reviewed agency) OIG’s monitoring of work performed by IPAs.

During our review, we (1) obtained an understanding of the nature of the (name of reviewed agency) OIG monitoring and (2) assessed the (reviewed agency) OIG’s IPA monitoring process {*add other or delete steps as needed such as interviewing (reviewed Agency) OIG personnel*}. We reviewed the following IPA monitoring projects:

1. Project ABC123
2. Project XYZ987

**Letter of Comment (Insert when a letter of comment is issued.)**

We have issued a letter dated (insert date) that sets forth findings that were not considered to be of sufficient significant to affect our conclusions on the established policies and procedures.

We also made certain comments related to (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs, which we included in the above-referenced letter dated (insert date). [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and IPA monitoring issues are also included in the letter of comment.**]

We have issued a letter dated (insert date) with comments on (reviewed agency) OIG’s monitoring of GAGAS engagements performed by IPAs. These comments do not affect our conclusions on the established policies and procedures. [**Insert if the peer review includes monitoring of GAGAS engagements performed by IPAs and the letter of comments only includes IPA monitoring issues.**]

/s/

(Name), Inspector General

1. **Modified Peer Review Letter of Comment (without Audit Policies and Procedures)**

(OIG Letterhead)

(Date)

To (Name), Inspector General

(Name of Agency)

We have reviewed (reviewed agency) Office of Inspector General’s (OIG’s) monitoring of work conducted by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor for compliance with related IPA monitoring policies and procedures. Based on the review, (reviewed agency) OIG did not obtain a copy of the peer review report of the IPA when contracting for the work.

Finding. IPA Monitoring – IPA Peer Review Reports

The OIG’s policies and procedures require, for all contracted engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements), that staff obtain and document in the monitoring records a copy of the IPA’s most recent peer review report and, if applicable, the Finding for Further Consideration forms submitted to the administering entity. We noted that the monitoring files for the contracted audit of the (reviewed agency) fiscal year 20XX financial statements did not contain a copy of the IPA’s peer review report. Monitoring staff confirmed that one was not obtained. The staff subsequently obtained a copy which showed that the IPA received a peer review rating of pass, but 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 – The OIG should reemphasize its policy to obtain the latest peer review report and, if applicable, the Finding for Further Consideration forms submitted to the administering entity, as part of monitoring activities for contracted IPA audit work.

Views of Responsible Office – Agree.

/s/

(Name), Inspector General

##### Section 4

##### Glossary

The following terms are used throughout the Guide:

* **Attestation Engagement.** An examination, review, or agreed-upon procedures engagement conducted under the generally accepted government auditing standards (GAGAS) attestation standards related to subject matter or an assertion that is the responsibility of another party.
* **Audit Organization.** An Office of Inspector General (OIG) that, either with or without an audit function, performs GAGAS engagements. Audit organization and OIG are used interchangeably in this Guide.
* **External Peer Review**. This type of peer review is required of an OIG that performed GAGAS engagements. The objective of the External Peer Review is to determine whether, for the period under review, the reviewed OIG’s system of quality controls for the audit function was suitably designed and whether the OIG is complying with its system of quality control to provide it with reasonable assurance of conforming with applicable professional standards and legal and regulatory requirements in all material respects.
* **GAGAS Engagements.** For the purpose of providing guidance on peer reviews, the term “GAGAS engagements” or “engagements” pertains to financial and performance audits, attestation engagements, and reviews of financial statements performed in accordance with GAGAS. The 2018 Revision of *Government Auditing Standards* refers to GAGAS engagements as financial audits, attestation engagements, reviews of financial statements, and performance audits conducted in accordance with GAGAS.
* **Independent Public** **Accountant (IPA) Monitoring**. IPA monitoring consists of activities conducted by an OIG to contract for and monitor GAGAS work performed by an IPA where the IPA served as the auditor. The Inspector General Act of 1978 (IG Act), as amended, 5 U.S.C. Appendix 3, requires OIGs to establish guidelines to determine when it is appropriate to use non‑Federal auditors and ensure that the work of non-Federal auditors adheres to GAGAS.[[22]](#footnote-23) IPA monitoring conducted by an OIG is not a GAGAS engagement and *Government Auditing Standards* does not prescribe standards for IPA monitoring.
* **Inspection and Evaluation**. Inspections and evaluations are systematic and independent assessments of the design, implementation, and/or results of an agency’s operations, programs, or policies and are performed by the OIG under the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation*.[[23]](#footnote-24) They include inquiries and similar types of reviews that do not constitute a GAGAS engagement or a criminal investigation. They provide information and recommendations to agency managers, policymakers, and others on improvements and administrative actions and are not considered nonaudit services per GAGAS. Inspections and evaluations may be performed by auditors, inspectors, and/or evaluators.
* **Letter of Comment.** Written communication to the reviewed OIG issued in conjunction with the peer review report communicating findings that were not considered to be of sufficient significance to affect the peer review team’s opinion expressed in the peer review System Review report or conclusions in the Modified Peer Review report.
* **Memorandum of Understanding.** An agreement between the OIGs that is not legally binding, but which outlines their responsibilities for the peer review and describes the review’s scope, methodology, reporting process, and administrative and other matters.
* **Modified Peer Review**. This type of peer review is required by CIGIE and is applicable to an OIG whose work did not include GAGAS engagements but who may have elected to maintain audit policies and procedures. The objective of the Modified Peer Review is to determine whether the reviewed OIG’s established audit policies and procedures are current and consistent with applicable professional standards.
* **Nonaudit Services**. In general, nonaudit services are professional services other than GAGAS engagements, inspections, evaluations, criminal investigations, and related activities performed by an OIG for the audited entity. Under GAGAS, activities such as financial statement preparation, cash to accrual conversions, and reconciliations are considered nonaudit services. Routine activities performed by auditors that relate to the performance of an engagement, such as providing advice and responding to questions as part of an engagement, are not considered nonaudit services. Prior to providing a nonaudit service, the audit organization considers whether providing such a service creates a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any engagement it performs.
* **Quality Assurance Program.** A quality assurance program is an ongoing, periodic assessment of work completed on GAGAS engagements performed by the OIG and is designed to provide management with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively. The purpose of monitoring compliance with quality control policies and procedures is to provide an assessment of (1) whether the OIG adheres to professional standards and legal and regulatory requirements, (2) whether the system of quality control has been appropriately designed, and (3) whether quality control policies and procedures are operating effectively and complied with in practice. Examples of monitoring procedures may be found in *Government Auditing Standards* and the Government Accountability Office’s *Standards for Internal Control in the Federal Government*.
* **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, including 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.
* **System Review Report.** A report issued by the peer review team to communicate the results of the External Peer Review, including the rating on whether the reviewed OIG audit organization’s system of quality control was adequately designed and complied with during the review period and to provide the OIG with reasonable assurance that it conformed with professional standards and applicable legal and regulatory requirements.
* **Those Charged with Governance**. Those charged with governance refers to individuals responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process, subject matter, or program under audit, including related internal controls. Those charged with governance may also be part of the entity’s management. In some audited entities, multiple parties may be charged with governance, including oversight bodies, members or staff of legislative committees, boards of directors, audit committees, or parties contracting for the engagement.

##### Section 5

##### Participants in the Peer Review Guide Update Project 2020

Ron Anderson, Social Security Administration OIG

Morgan Aronson, Department of Interior OIG

Bobbie Jean Bartz, Department of Justice OIG

Robyn Berkenbilt, Department of Housing and Urban Development OIG

Terese Blanchard, Federal Housing Finance Agency OIG

Kimberly Boykin, National Archives and Records Administration OIG

Alvin Brown, Agency for International Development OIG

Kevin Chaffin, Environmental Protection Agency OIG

Thomas Chin, Corporation for National and Community Service OIG

Audrey Delaney, Department of Veterans Affairs OIG

Christopher Dentel, Consumer Product Safety Commission OIG

Regina Dull, National Aeronautics and Space Administration OIG

Michelle Emigh, Department of Veterans Affairs OIG

Stephen Ford, Office of Personnel Management OIG

Branco Garcia, Commodity Futures Trading Commission OIG

Vera Garrant, Board of Governors of the Federal Reserve System OIG

Ed Gold, Amtrak OIG

Tabitha Hart, Department of Justice OIG

Robert Hong, Department of the Treasury OIG

Eve Jacavage, Department of Housing and Urban Development OIG

Ruth-Ami Klein, Department of Labor OIG

David Laun, Financial Management Division Chief

Patricia Layfield, U.S. Election Assistance Commission OIG

Elliott Lewis, Department of Labor OIG

Beverly Lyons, Department of Transportation OIG

Sara Margraf, Special Inspector General for Afghanistan Reconstruction

Valerie McMichael, Department of Defense OIG

Leonard Meade, Department of Transportation OIG

Whitney Miller, Amtrak OIG

Juana Morales, Agency for International Development OIG

Jonna Mueller, Department of Housing and Urban Development OIG

Nina Murphy, Equal Employment Opportunity Commission OIG

Kieu Rubb, Project Lead

Beth Schaefer, Department of Defense OIG

Sarah Sequeira, Department of Housing and Urban Development OIG

David Sheeren, Department of Justice OIG

Margaret Sherman, Federal Communications Commission OIG

Audrey Solis, Special Inspector General for Afghanistan Reconstruction

Scott Spaulding, Department of Justice OIG

Petra Swartzlander, Department of Transportation OIG

Holly Swoboda, Department of Housing and Urban Development OIG

Nomi Taslitt, Special Inspector General for Afghanistan Reconstruction

Twyla Tatum, Board of Governors of the Federal Reserve System OIG

Catherine Walters, National Science Foundation OIG

George Zipf, Department of Transportation OIG

1. May 24, 2021, Audit Peer Review Subcommittee email address updated. [↑](#footnote-ref-2)
2. GAGAS are promulgated by the Comptroller General of the United States and contained in *Government Auditing Standards* published by the Government Accountability Office. Effective with the July 2018 revisions, GAGAS requires organizations affiliated with CIGIE to comply with CIGIE peer review requirements as well as requirements established by GAGAS. GAO-18-568G (July 2018) [↑](#footnote-ref-3)
3. For the purposes of CIGIE’s March 2020 Guide, “GAS” is used when a citation is made to specific paragraphs in the *Government Auditing Standards.* [↑](#footnote-ref-4)
4. August 2012 [↑](#footnote-ref-5)
5. GAO-14-704G (Sep. 2014) [↑](#footnote-ref-6)
6. GAS 1.12.c. (July 2018) [↑](#footnote-ref-7)
7. GAS 5.77, this requirement does not include any letter of comment. (July 2018) [↑](#footnote-ref-8)
8. See section 5(a)(14) of the IG Act, as amended; guidance is available in the [*CIGIE Implementing Guidance for OIG Reporting of Peer Review Results in Semiannual Reports to the Congress*](https://www.google.com/url?q=http://www.ignet.gov/pande/faec/CIGIE-Implementing-Guidance-for-PL111-203-989C.pdf&sa=U&ei=fr6vUseBDau0sATSg4H4Cw&ved=0CAYQFjAA&client=internal-uds-cse&usg=AFQjCNEAYREccVB-lKZueDA6SBRQzZSZBw). This requirement does not include the letter of comment. [↑](#footnote-ref-9)
9. The three-year period typically corresponds to either March 31 or September 30, and is used by (1) the CIGIE Audit Committee to schedule the peer reviews, and (2) the peer review team as the period end date of the peer review scope. [↑](#footnote-ref-10)
10. The CIGIE Audit Committee identifies and communicates to CIGIE’s Training Institute (Audit, Inspection and Evaluation Academy) expected performance capabilities of the teams and team roles related to the peer review process. The Training Institute develops and delivers learning experiences linked to those performance-based desired outcomes. CIGIE reserves the right to limit training attendance to only those conducting the peer review and those from the reviewed OIG who directly support the peer review team. [↑](#footnote-ref-11)
11. GAS 3.11 (July 2018) [↑](#footnote-ref-12)
12. The CIGIE Audit Committee maintains the audit peer review schedule. This schedule identifies the OIGs scheduled for peer review, the OIGs scheduled to perform the peer review, and the peer review scope and due dates. OIGs are categorized in the schedule based on their audit staff sizes. [↑](#footnote-ref-13)
13. OIGs frequently provide technical advice to management and others based on their technical expertise, often on an ad hoc or informal basis, and such activities do not normally impair independence and therefore would not require supplemental safeguards. Although it is not expected that the reviewed OIG maintain and provide a detailed listing of all instances where such advice is given, the review team should be informed of instances where the reviewed OIG (i) participated in activities such as commissions, committees, task forces, panels, and focus groups on an ongoing basis and the nature of its participation, whether advisory, voting, nonvoting; or (ii) provided tools and methodologies to agency management and others. [↑](#footnote-ref-14)
14. GAS 3.64-3.95, 3.107 (July 2018) [↑](#footnote-ref-15)
15. GAS 9.68 (July 2018) [↑](#footnote-ref-16)
16. GAS 3.34 (July 2018) [↑](#footnote-ref-17)
17. The AIGA Panel and IG Panel members will be selected by the Audit Committee Chair in accordance with a delegation of authority issued by the Chair of CIGIE pursuant to section 11(c)(1)(H) of the IG Act and the CIGIE Charter, Functions and Duties of the Council. [↑](#footnote-ref-18)
18. GAS 6.31;7.33a; 8.135c (July 2018) [↑](#footnote-ref-19)
19. GAS 8.89 (July 2018) [↑](#footnote-ref-20)
20. GAO-18-568G (July 2018) [↑](#footnote-ref-21)
21. References to the plural forms of reports, deficiencies, and such could also apply to a singular form of the item within these guidelines. For example, there could be deficiencies or a deficiency. The wording in the report should be tailored as needed. [↑](#footnote-ref-22)
22. Section 4(b)(1)(B) and 4(b)(1)(C) of the IG Act [↑](#footnote-ref-23)
23. January 2012 [↑](#footnote-ref-24)