##### **Appendix D4**

##### **Checklist for Reviews of Financial Statements Performed by the Office of Inspector General**

This appendix includes guidance for reviewing the Office of Inspector General’s (OIG’s) reviews of financial statements engagements conducted in accordance with *Government Auditing Standards* (GAS)⎯commonly referred to as generally accepted government auditing standards (GAGAS)⎯and the American Institute of Certified Public Accountants’ (AICPA’s) Statements on Standards for Accounting and Review Services (SSARSs). When an auditor conducts a financial statements review engagement under GAGAS, the engagement must be conducted in accordance with the SSARSs[[1]](#footnote-2) and GAGAS. For additional information, the peer review team should consult the guidance in SSARS No. 21, 23, and 24 applicable to reviews of financial statements. This appendix is not intended to replace auditor judgment; the peer review team may modify the checklist to ensure coverage as necessary.

OIG UNDER REVIEW

& PERIOD REVIEWED:

ENGAGEMENT NAME:

ENGAGEMENT NO.:

REVIEWER(S):

DATE COMPLETED:

|  | | **Yes** | **No** | | **N/A** | | **Comments** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1. Standards of Independence, Professional Judgment, Competence and Continuing Professional Education, and GAGAS Compliance[[2]](#footnote-3)** | | | | | | | | |
| 1. Did the auditors document the independence considerations as appropriate, including identifying threats to independence, evaluating the significance of the threats identified, and applying safeguards as necessary to eliminate the threats or reduce them to an acceptable level? (GAS 3.27-3.33, 3.84, 3.90, 3.107; AR-C §60.08, §90.07)[[3]](#footnote-4) |  | | |  | |  | |  |
| 1. Taken as a whole, does the engagement documentation show that the auditors were ethical and independent of the entity subject to the review during the period of the professional engagement, and that professional judgment was used in planning and performing the engagement and reporting the results? (GAS 3.18- 3.20, 3.23, 3.109; AR-C §60.08-.09, §90.81c) |  | | |  | |  | |  |
| 1. Did the staff assigned to the engagement collectively have the competence needed for their assigned roles to address the engagement objectives and perform the work? (GAS 4.02, 4.03, 4.12) |  | | |  | |  | |  |
| 1. Did the staff who planned, directed, and performed the engagement and reported the results develop and maintain professional competencies by completing required continuing professional education hours? (GAS 4.16) |  | | |  | |  | |  |
| 1. If the auditors cite GAGAS compliance, did the auditors comply with GAGAS and the relevant SSARS for reviews of financial statements? (GAS 7.86) |  | | |  | |  | |  |
| **2. Fieldwork Standards – Planning** | | | | | | | | |
| 1. Did the auditors establish an agreement on the procedures to be performed, the responsibilities of the parties, and representations made, and did they communicate such information to audited management and those charged with governance? (AR-C §90.09-.13) | |  |  | |  | |  | |
| 1. Did the auditors possess or obtain knowledge of the industry and of the entity, its accounting principles, and policies sufficient to be able to identify and react appropriately to unusual items and potential material misstatements? (AR-C §90.14-.16) | |  |  | |  | |  | |
| 1. Did the auditors design procedures, as appropriate, to obtain limited assurance as a basis for reporting whether the auditors are aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework? (AR-C §90.17) | |  |  | |  | |  | |
| 1. When using the work of others, did the auditors communicate with the other auditors and determine that the other auditors are familiar with applicable SSARSs and GAGAS and comply with these standards? (AR-C §90.81) | |  |  | |  | |  | |
| **3. Fieldwork Standards – Conducting the Engagement** | | | | | | | | |
| 1. Did the auditors perform the procedures pursuant to the written design to obtain limited assurance as a basis for reporting whether the auditors are aware of any material modifications that should be made to the financial statements for them to comply with the applicable financial reporting framework, focusing on higher risk material misstatements? (AR-C §90.17-.18) | |  |  | |  | |  | |
| 1. Did the auditors apply analytical procedures to the financial statements to identify and provide a basis for inquiry about the relationships and individual items that appear to be unusual and may indicate a material misstatement? (AR-C §90.19-.21) | |  |  | |  | |  | |
| 1. Did the auditors inquire of management who have responsibility for financial and accounting matters concerning the financial statements for preparation and presentation, unusual or complex situations, significant transactions, the status of uncorrected misstatements, knowledge of any fraud or suspected fraud and known instances of noncompliance or suspected noncompliance with laws and regulations, related parties transactions, any litigation and claims, and any other applicable matters? (AR-C §90.22) | |  |  | |  | |  | |
| 1. Did the auditors extend the AICPA requirements concerning consideration of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements? (GAS, 7.89) | |  |  | |  | |  | |
| 1. Did the auditors read the financial statements and reports from other accountants, and did they obtain evidence that the financial statements agreed or reconciled with the accounting records? (AR-C §90.24-.26) | |  |  | |  | |  | |
| 1. Did the auditors accumulate and evaluate uncorrected misstatements, make appropriate inquiries, and consider responses received when information coming to the accountant's attention is incorrect, and did they perform additional procedures deemed necessary? (AR-C §90.27-.30) | |  |  | |  | |  | |
| **4. Fieldwork Standards – Evidence** | | | | | | | | |
| 1. Did the auditors evaluate whether sufficient appropriate evidence was obtained from the procedures performed and, if needed, performed additional procedures to form a conclusion on the financial statements? (AR-C §90.31) | |  |  | |  | |  | |
| 1. Did the auditors communicate with management or those charged with governance as appropriate, on a timely basis during the review engagement, all matters concerning the review engagement that, in the auditor's professional judgment, were of significant importance to merit the attention of management or those charged with governance, as appropriate? (AR-C §90.13) | |  |  | |  | |  | |
| 1. Did the auditors obtain written representations in a representation letter from members of management who have appropriate responsibilities for the financial statements and knowledge of the matters concerned, and did those representations include the specific representations required by the standards? (AR-C §90.32-.36) | |  |  | |  | |  | |
| 1. If applicable, did the auditors take appropriate actions if management did not provide requested representations or if the auditors believe that the representations are not reliable? (AR-C §90.37) | |  |  | |  | |  | |
| 1. If applicable, did the auditors communicate appropriately to management, those charged with governance, and others regarding: | |  |  | |  | |  | |
| * 1. Fraud or noncompliance with laws and regulations and take appropriate actions if the accountant became aware that fraud and instances of noncompliance with provisions of contracts and grant agreements may have occurred? (GAS 7.89; AR-C §90.51) | |  |  | |  | |  | |
| * 1. Emphasis-of-matter paragraph(s) and other matter paragraph(s) when they plan to include the matter in the report? (AR-C §90.52-.55) | |  |  | |  | |  | |
| * 1. Adding other specified parties to the report? (AR-C §90.63-.64) | |  |  | |  | |  | |
| 1. If applicable, did the auditors evaluate the entity’s ability to continue as a going concern? (AR-C §90.65-.66) | |  |  | |  | |  | |
| **5. Fieldwork Standards – Supervision and Documentation** | | | | | | | | |
| 1. Was staff properly supervised? (GAS 5.36, 5.37; AR-C §60.20) | |  |  | |  | |  | |
| 1. If difficult or contentious issues arose among team members during the engagement, did the auditors follow the OIG’s policies and procedures for consulting with an appropriate individual, agreeing on the scope and nature of the consultation, and documenting the parties' understanding of the resulting conclusions reached and implemented? (GAS 5.24) | |  |  | |  | |  | |
| 1. Did the engagement documentation reasonably demonstrate that management and those charged with governance did not limit the scope of the auditors’ work in reviewing the financial statements in a manner that would have resulted in the auditors’ inability to perform sufficient review procedures to provide an adequate basis for issuing the report? (AR-C §90.08) | |  |  | |  | |  | |
| 1. If applicable to the reviewed entity, did the auditors take appropriate actions if the following circumstances applied to the engagement: (AR-C §90.65-.79) | |  |  | |  | |  | |
| * 1. Uncertainty about the entity's ability to continue as a going concern? | |  |  | |  | |  | |
| * 1. Subsequent events and subsequently discovered facts? | |  |  | |  | |  | |
| * 1. Other auditors’ work on the financial statements of significant components, and the auditors decided not to assume responsibility for the work of the other auditors? | |  |  | |  | |  | |
| 1. Did the auditors prepare sufficient review documentation to enable an experienced auditor with no previous connection to the review to understand: (AR-C §90.94-.95) | |  |  | |  | |  | |
| 1. The nature, timing, and extent of the review procedures performed? | |  |  | |  | |  | |
| 1. The results of the procedures performed and the evidence obtained? | |  |  | |  | |  | |
| 1. Significant findings or issues, conclusions reached, and significant professional judgments made in reaching those conclusions? | |  |  | |  | |  | |
| 1. Communications with management and other parties? | |  |  | |  | |  | |
| **6. Reporting Standards** | | | | | | | | |
| 1. Was the auditors’ report in writing, and did it include the elements required by the standards and for the applicable type of financial reports and other circumstances? (AR-C §90.38-.50) | |  |  | |  | |  | |
| 1. Did the auditors include a statement in the report that they conducted the engagement in accordance with GAGAS when they complied with all applicable GAGAS requirements? (GAS 7.90) | |  |  | |  | |  | |
| 1. Did the auditors’ report include an alert paragraph restricting the use of the report to specified parties? (AR-C §90.61-.64) | |  |  | |  | |  | |
| 1. If applicable, did the auditors:    1. Include emphasis-of-matter paragraph(s) and other matter paragraph(s), including going concerns issue, when appropriate under the standards? (AR-C §90.52-.54, §90.65-.69) | |  |  | |  | |  | |
| * 1. Consider whether to modify the report to disclose departures from applicable financial reporting framework and subsequent events? (AR-C §90.56-.60, §90.70-.78) | |  |  | |  | |  | |
| * 1. Make reference to the work of other auditors that impact the auditors' work, and state that the auditors do not assume responsibilities for the other auditors' work? (AR-C §90.79-.82) | |  |  | |  | |  | |
| * 1. Appropriately report on supplementary information that accompanied the reviewed financial statements in accordance with the standard? (AR-C §90.83-.88) | |  |  | |  | |  | |
| 1. Did the auditors comply with GAGAS report distribution requirements, depending on the auditor’s relationship with the entity subject to review and the nature of the information contained in the reports: (GAS, 7.93) | |  |  | |  | |  | |
| * 1. Did the auditors limit the report distribution if the subject matter contained classified, sensitive, or confidential information, and did they document any limitations? | |  |  | |  | |  | |
| * 1. Did the OIG distribute the report(s) to those charged with governance, the appropriate audited entity officials or oversight bodies, those requiring or arranging for the engagements, other officials who have legal oversight authority, or others authorized to receive such reports? | |  |  | |  | |  | |
| **7. Overall Assessment** | | | | | | | | |
| 1. Based on the results of the checklist and other work performed, conclude whether in performing and reporting on this engagement, the OIG complied with GAGAS and its policies and procedures. Appropriate inquiries about exceptions should be made with the engagement team to determine the underlying reasons. | |  |  | |  | |  | |
| **END OF CHECKLIST** | | | | | | | | |

1. The applicable AICPA standards for the review of financial statements engagements include SSARS No. 21’s; SSARS No. 23’s; and SSARS No. 24’s AR-C Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services,* and AR-C Section 90, *Review of Financial Statements*. [↑](#footnote-ref-2)
2. In assessing compliance with GAGAS for Independence, Professional Judgment, and Competence and Continuing Professional Education on individual engagements, the peer review team should consult the reviewed OIG’s audit policies and procedures with respect to documents to be included to demonstrate compliance. Certain documents may be maintained centrally, and the evidence of compliance may not be found in the individual engagement file. When assessing the documentation, the peer review team should be alert to issues related to compliance with GAGAS and make further inquiries as appropriate. Organization-wide testing of Standards for Independence, Professional Judgment, and Competence and Continuing Professional Education is accomplished with Appendix B and not tested at the individual engagements. The peer review team should determine the methodology required to test this area based on the OIG’s audit policies and procedures. [↑](#footnote-ref-3)
3. For the purposes of CIGIE’s March 2020 Guide, “GAS” is used when citations are made to specific paragraphs from *Government Auditing Standards*. [↑](#footnote-ref-4)