



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Good Practices for Quality Assurance Reviewers: Monitoring and Reporting

June 2021

EXECUTIVE SUMMARY

Objective

The purpose of this white paper is to share good practices related to quality assurance monitoring activities.

Approach

One of QAWG's goals is to identify and document good practices to help the OIG community improve QA functions. To implement this goal, QAWG, through FAEC, sent a survey in July 2019 to senior OIG audit leadership and managers to identify key areas of concern about the application or interpretation of performance audit standards. Monitoring and reporting of quality assurance activities was identified as an area of concern. The QAWG formed a task team to identify and summarize good practices for planning, implementing, and reporting on QA monitoring activities.

Quality Assurance (QA) and quality control help provide an audit organization with reasonable assurance that the organization and its personnel comply with applicable professional standards and legal and regulatory requirements. The *Government Auditing Standards* (GAS) established the requirements and guidance for quality control and assurance. In July 2019, the Federal Audit Executive Council's Quality Assurance Working Group surveyed senior Federal OIG audit leadership and managers to identify key areas related to quality assurance where additional guidance was needed. The community requested additional guidance on the following areas:

- the structure of the monitoring function within different-sized audit organizations
- the extent of monitoring policies and procedures to comply with GAS
- methodologies for conducting and documenting QA reviews
- reporting the results of QA reviews

As a result, this white paper presents good practices that the QA reviewer can use to plan, implement, and report on QA monitoring activities. It is not intended to be policy or a substitute for professional judgment.

An audit organization's QA function and its reviewers' approach to assurance activities can vary greatly based on a number of factors, such as resources, logistics, competing priorities, and the maturity and operational effectiveness of the organization's internal control structure. QA reviews can focus on single, completed projects, or span a more overarching, thematic scope. Selecting the project or projects to review may be based on a variety of factors, including audit risk, external peer review concerns, prior QA review results, and regulatory considerations. Challenges and opportunities for improvement may be noted during the review, along with an evaluation of their cause/effect. Reporting QA review results can take many forms, but typically incorporates the characteristics of clarity, concision, and timeliness, and allows the audit team and the organization's leadership to understand the challenge and implement appropriate corrective actions.

The guidance in this white paper is not prescriptive; each QA reviewer should consider the agency's unique policies and procedures and use professional judgment in assessing the agency's implementation and compliance with professional standards. In addition, this white paper should not be considered a replacement or supplement to generally accepted government auditing standards, and it should not be considered as a basis for an external peer review result.

INTRODUCTION

In October 2016, representatives from various Federal Offices of Inspector General (OIG) formed the Quality Assurance Working Group (QAWG) to enhance and improve the quality assurance (QA) review processes used by the Federal OIG community. In January 2019, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) formally recognized the QAWG as part of the Federal Audit Executive Council (FAEC).¹ One of QAWG's goals is to identify and document good practices to help the OIG community improve their QA functions. To implement this goal, QAWG, through FAEC, sent a survey in July 2019 to senior OIG audit leadership and managers to identify key areas of concern about the application or interpretation of performance audit standards. QAWG formed task teams to develop separate white papers that address the top five identified areas of concern.²

Purpose

This white paper presents good practices the QA reviewer can use to plan and implement QA monitoring activities and to meet the *Government Auditing Standards* (GAS) annual reporting requirement. It addresses concerns the OIG community identified in the following areas:

- the structure of the monitoring function within different-sized audit organizations
- the extent of monitoring policies and procedures to comply with GAS, commonly referred to as generally accepted government auditing standards (GAGAS) or the Yellow Book, issued by the U.S. Government Accountability Office (GAO)³
- the methodologies for conducting and documenting monitoring reviews, and reporting the results of monitoring

The guidance in this white paper is not prescriptive; each QA reviewer should consider the agency's unique policies and procedures and use professional judgment in assessing the agency's implementation and compliance with professional standards. In addition, this white paper should not be considered a replacement or supplement to generally accepted government auditing standards, and it should not be considered as a basis for an external peer review result.

Background

¹ FAEC is a subgroup established by CIGIE to discuss and coordinate issues affecting the Federal audit community, with special emphasis on audit policy and operations of common interest to members.

² The survey results identified the top concerns of OIG senior leadership and management where professional standards were not being consistently interpreted: (1) audit risk, (2) data reliability, (3) sampling, (4) supervisory review, and (5) quality assurance. Another key concern identified was related to internal controls, which is being addressed by CIGIE's separate internal controls working group.

³ GAO, *Government Auditing Standards*, July 2018 Revision (GAO-18-568G). GAO made technical updates to the 2018 revision of *Government Auditing Standards* in April 2021. (GAO-21-368G).

Both QA and quality control help provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. However, the two are distinctly different.

Quality control is a continuous, built-in component of operations. Quality control consists of the actions taken during the audit process, before the final report is issued, to ensure a quality product. An audit organization's system of quality control encompasses the organization's leadership, emphasis on performing high-quality work, and policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The system of quality control is shown in Figure 1.

Figure 1. System of Quality Control



Source: QAWG, Analysis of Government Auditing Standards

QA is the monitoring of quality controls to assess the audit organization's compliance with professional standards and its quality control policies and procedures. Monitoring is a series of periodic assessments conducted after the assignment is completed to determine whether relevant policies and procedures related to the system of quality control are suitably designed and operating effectively and that auditors have followed professional standards and applicable legal and regulatory requirements. These reviews are distinct from ongoing management or supervision activities. Although reviews by team members of work conducted prior to the date of the audit report may empower personnel to address challenges before the conclusion of the project, these reviews are not considered monitoring procedures.⁴ Some of the key differences

⁴ GAS, 5.53.

between quality control and quality assurance are shown in Figure 2.

Figure 2. Quality Control and Quality Assurance

Quality Control		Quality Assurance
Actions taken to ensure a quality audit	What?	Assessment of quality controls
During the audit	When?	After the audit
Persons involved in planning, directing, performing audit procedures, and reporting the audit	Who?	Persons not involved in the audit

Sources: QAWG, Analysis of Government Auditing Standards, and CIGIE, Quality Standards for Federal Offices of Inspector General

Criteria

GAO’s *Government Auditing Standards* (GAS), also known as the Yellow Book or Generally Accepted Government Auditing Standards (GAGAS), provides a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services.⁵ Chapter 5 of GAGAS establishes the requirements and guidance for quality control and assurance, and for administering, planning, performing, and reporting on external peer reviews of audit organizations that conduct engagements in accordance with GAGAS. The requirements are intended to be followed in conjunction with all other applicable GAGAS requirements.⁶

An audit organization conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that provides reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory

⁵ All GAS citations in this report are referred to GAO’s *Government Auditing Standards (2018 Revision)*, July 2018.

⁶ GAGAS uses two categories of requirements, identified by specific terms, to describe the degree of responsibility they impose on auditors and audit organizations:

- a. Unconditional requirements: Auditors and audit organizations must comply with an unconditional requirement in all cases where such requirement is relevant.
*GAGAS uses **must** to indicate an unconditional requirement.*
- b. Presumptively mandatory requirements: Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances.
*GAGAS uses **should** to indicate a presumptively mandatory requirement.*

If, in rare circumstances, auditors judge it necessary to depart from a relevant presumptively mandatory requirement, they must document their justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (GAS, 2.02-2.03)

requirements.⁷ The quality control policies and procedures should be documented and communicated to the organization's personnel. The audit organization should 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 complies with its quality control policies and procedures.⁸

The standards also require that an audit organization take the following actions:

- Establish policies and procedures for monitoring its system of quality control.
- Perform monitoring procedures that enable it to assess compliance with professional standards and quality control policies and procedures for GAGAS engagements.
- At least annually, analyze and summarize the results of its monitoring process and identify any systemic or repetitive issues needing improvement, make recommendations for corrective action, and communicate this to relevant and appropriate personnel.⁹

Additionally, CIGIE's *Quality Standards for Federal Offices of Inspector General*, also known as the Silver Book, paragraph V. A., states the following:

Each OIG shall establish and maintain a quality assurance program 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.

STRUCTURING THE QUALITY ASSURANCE FUNCTION

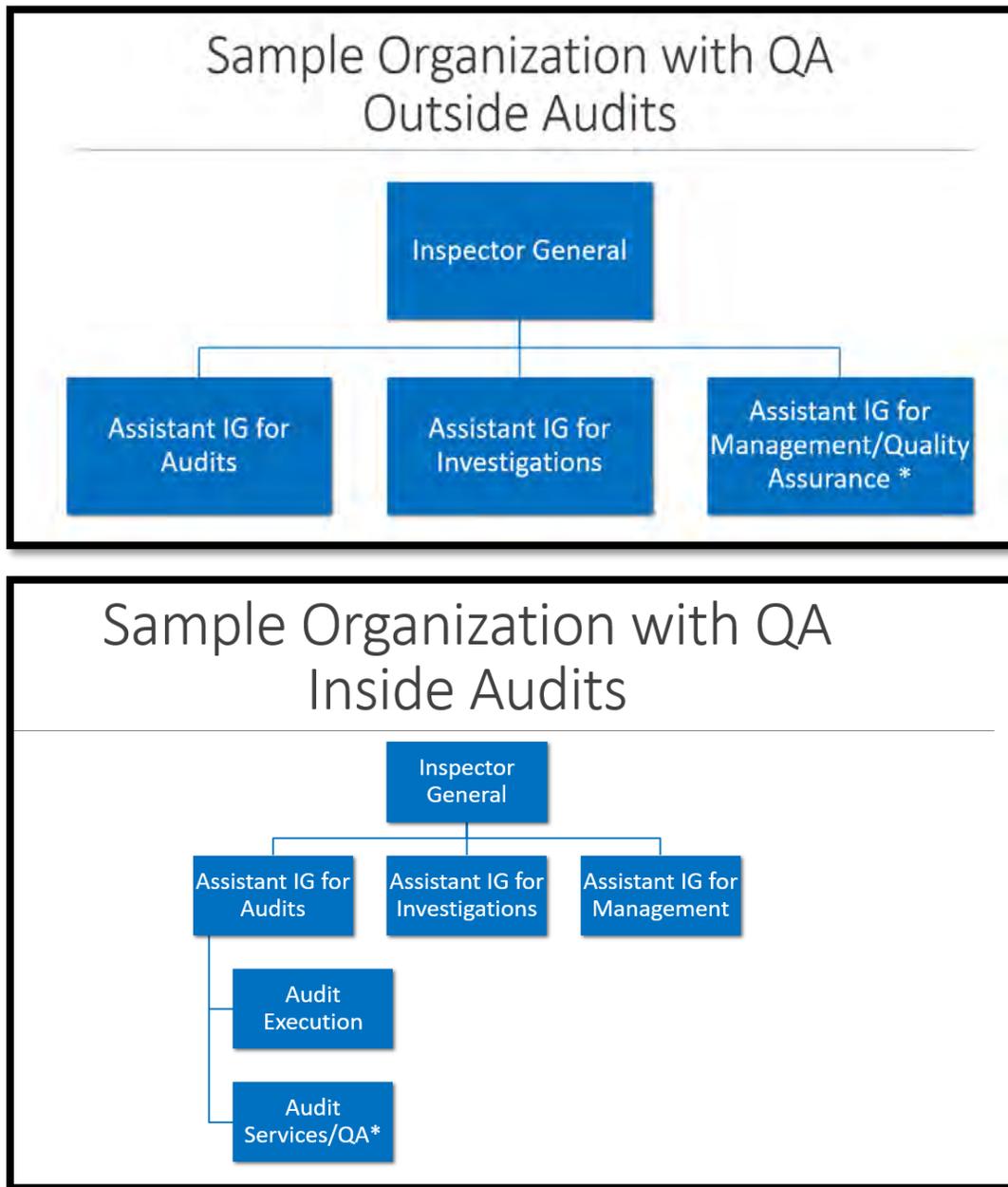
The audit organization's structure of the quality assurance function may entail a variety of organizational configurations—often dependent on an organization's size—such as a fully separate quality assurance monitoring unit (organizationally independent from the staff conducting the audits); an embedded group or component within the audit office; or a hybrid of the two, with individuals assigned through term (detail) appointments, assignments, and volunteer opportunities (including via a matrix/pool staffing model). Some OIGs may contract with an independent public accounting firm to perform quality assurance reviews. Examples of various organization structures are shown in Figure 3.

⁷ GAS, 5.02.

⁸ GAS, 5.04.

⁹ GAS, 5.42-5.44.

Figure 3. Examples of Organization Structure



*Donates Quality Assurance Functions
 Source: QAWG

The organization’s configuration and location in the organization may influence the reporting and communication structure. For some, the line of reporting may lead to program office leadership; for others, it may lead toward the senior executives at the highest level of the organization. Regardless, the following are key elements that form the foundation of a QA function and its reviewers alike:

- **Authority.** Those responsible for monitoring quality controls should have the requisite authority in the organization to perform this function.¹⁰
- **Competence.** Monitoring of quality controls should be performed by those with sufficient expertise.¹¹ Expertise is not limited to projects or subject area knowledge but also includes knowledge and understanding of audit standards.
- **Ethics and Integrity.** As with all work conducted by OIG staff, when conducting the QA activity, reviewers must hold themselves accountable to the highest levels of ethical conduct and principles of integrity.¹²
- **Independence.** In conducting its work, OIG staff must be both independent in fact and in appearance. Monitoring is most effective when performed by persons who do not have responsibility for the specific activity being monitored.¹³
- **Means (Resources).** No matter the size of the organization, all are required to have a QA program.¹⁴ The number of staff in an organization dedicated to the QA function realistically would be commensurate with the size of the organization. For example, larger organizations may assign more personnel to the oversight function and each quality assurance review.

QUALITY ASSURANCE: SCOPE AND METHODOLOGY

General Considerations

The QA function and the reviewer's approach to assurance activities can vary greatly based on a number of factors, such as resources, logistics, and competing priorities. The maturity and operational effectiveness of the audit organization's internal control structure may also impact the level, extent, and timing of the QA review. The audit organization may describe in its policies and procedures for QA reviews its responsibilities, structure, and scope and methodology, along with its processes for documenting, communicating, and reporting results. Reviews can be initiated, designed, and implemented to address the areas (or potential areas) of most risk in balance with the ability to affect the most constructive, meaningful change to policies, procedures, practices, and organizational self-awareness and empowerment. QA activities are often designed to provide the organization's management and leadership insight and context on the following:

¹⁰ GAS, 5.43.

¹¹ GAS, 5.43.

¹² CIGIE, *Quality Standards for Federal Offices of Inspector General* (the Silver Book), 2012.

¹³ GAS, 5.48.

¹⁴ CIGIE, *Quality Standards for Federal Offices of Inspector General*, (the Silver Book), 2012, Section V.A.

¹⁴ GAS, 5.43.

- Have personnel complied with professional standards, agency- specific policies and procedures, and applicable legal and regulatory requirements, and to what extent have they demonstrated/documentated their compliance?
- Are the policies and procedures that are related to the system of quality control (the control environment) suitably designed and operating effectively in practice?¹⁵

QA activities help provide for greater compliance, assurance, performance, and results for the reviewed entity. The QA reviewer must approach the work with the intent to reveal truths objectively—without criticism, blame, political favoritism, or sport (“gotcha”). Communication with the reviewee throughout the process, including pre-review, is often integral to facilitate trust, cooperation, and the opportunity for sharing additional perspectives on the review activity. Usually, the intent to perform the QA review is communicated to the reviewee with varying degrees of formality and notification. However, some QA reviews involve the selection of projects without prior notification to the audit team.¹⁶

Quality Assurance Reviews: Scope

The scope of a QA review can cover all stages of a particular audit engagement: research, fieldwork, reporting, and follow-up. In defining the scope of the QA review, principal considerations revolve around balancing necessity, efficiency, and effectiveness.

QA reviews can also focus on overarching thematic areas over multiple projects, such as indexing, supervision, or assessing risk. Additionally, QA reviews may include an assessment of the following:

- the appropriateness of the audit organization’s guidance materials and practice aids
- new developments in professional standards and applicable legal and regulatory requirements, and how they are reflected in the audit organization’s policies and procedures, when appropriate
- written affirmation of compliance with policies and procedures on independence
- the effectiveness of staff training
- actions completed to address reported deficiencies and recommendations presented in the prior QA reviews
- decisions related to acceptance and continuance of relationships with audited entities and specific audit engagements

¹⁵ GAS, 5.42 and 5.47.

¹⁶ GAS, 5.56.

- the audit organization personnel’s understanding of the organization’s quality control policies and procedures and implementation.¹⁷

Quality Assurance Reviews: Methodology

The nature of the QA review and related monitoring procedures varies based on the audit organization’s policies, procedures, and specific objectives. For some audit organizations, the methodology to be used by a QA reviewer is described in their organization’s written policies and procedures. The methodology used by a QA reviewer may vary, in part, due to the size of the audit organization, the number of staff dedicated to conduct the QA review, and organization’s reporting structure.

In planning the scope, the QA reviewer considers the criteria against which the review subject is to be measured. It may vary but should be realistic, reasonable, appropriate, attainable, and relevant. Professional standards (GAS) are the foundation of the QA review. Additional criteria may be used in conducting QA activities, including OIG internal policies and procedures, industry standards and resources (for example, CIGIE guides), best practices and industry norms, and expert opinions. The criteria typically are identified and communicated, along with the scope and methodology of the review, prior to beginning the review.

It is a good practice for the QA reviewer to communicate the objective, scope, and methodology of the QA review to appropriate management officials prior to the start of the review. This can be done in a variety of ways, such as an email or memorandum. The QA reviewer can also conduct an entrance conference with applicable managers and staff who performed the work to be reviewed. The entrance conference could provide an opportunity to set the tone, discuss expectations and address any management concerns prior to the start of the QA review.

It is also a good practice for the QA reviewer to develop a written plan that describes the procedures for performing the QA review, which may need to be revised based on issues and risks identified during the review. The plan should identify the performance period under review, areas being reviewed, and the methodology used to select projects. (See the section of this white paper titled, Methodology for Selecting Projects to Review.)

As part of the QA review, the QA reviewer examines completed audits to provide reasonable assurance that engagements were conducted in accordance with applicable auditing standards and the organization’s related policies and procedures. In addition to reviewing audit-related documentation, the QA reviewer may conduct interviews of audit personnel, follow up on actions taken resulting from previous reviews, and also review other documents necessary for assessing compliance with standards, such as training and other personnel records. For some QA reviewers, the CIGIE-created external peer review checklists form the basis for the review. Other QA reviewers have modified the CIGIE-created external peer review checklists to meet the needs of the audit organization or created their own forms to be used in evaluating completed audits.

¹⁷ GAS, 5.52.

See Appendix A for various examples of methodologies that a QA reviewer may use.

See the section of this white paper titled, QA Reviews: Documenting and Communicating Results, for discussion on documenting the QA review and communicating results to appropriate officials.

Methodology for Selecting Projects for QA Review

When it is not feasible to review all of the audits in a given year, specific projects may be selected through the following:

- consideration of the entire universe
- “next up,” sequential, or rotational reviews
- random selection
- statistical selection
- judgmental, discretionary selection
- stakeholder selection (organization leadership, Congress, etc.)

The process for selecting the project for QA review may derive from a variety of sources, such as the following:

- audit risk
- project impact
- prior quality control/assurance review results
- coverage (or no history of coverage)
- program office requests
- stakeholder requests (internal/external)
- congressional interest
- regulatory requirements, laws, standards, policies/procedures (including changes)
- substantive changes within the organization or to its operating environment
- special projects (for example, benchmarking)
- contemporaneousness (or public relevance)

QA REVIEWS: DOCUMENTING AND COMMUNICATING RESULTS

QA Reviews Documentation

The QA reviewer should make sure to properly document the process and products. The documentation relating to monitoring may include the following:

- the monitoring procedures, including the procedure for selecting completed engagements to be inspected

- the QA reviewer’s evaluation of whether:
 - the audit team adhered to professional standards and applicable legal and regulatory requirements
 - the system of quality control is appropriately designed, effectively implemented, and operating effectively
 - the audit organization’s quality control policies and procedures have been appropriately applied
- the deficiencies identified, their effect, and a determination of whether and what corrective actions are necessary¹⁸

As QA reviewers conduct QA reviews during the year, they have a range of options to document their work, including the following:

- CIGIE-created external peer review checklists for performance audits¹⁹
- CIGIE-created external peer review checklists modified to meet the needs of the audit organization
- checklists, spreadsheets, or metrics created by QA personnel to document their results for the specific topics or areas being assessed

It is a good practice to review and maintain the QA documentation for a period of time to allow for internal follow-up and be available for external peer reviews.

Communicating the QA Review Results

Effective communication can and often will act as a natural corrective to mistakenness and misunderstanding. Although informal communication is not required by GAGAS, it is encouraged as a best practice. Common throughout, however, are clarity, conciseness, timeliness, and delivery to at least the audit team and the organizational leadership responsible or authorized for effecting changes and implementing the recommended corrective actions.

The communications to appropriate personnel may include weaknesses identified in the quality control system, in the level of understanding of the system, or in compliance with the system.²⁰ If the QA reviewer noted and evaluated effects (potential or actual) of deficiencies and opportunities for improvement during the review, the QA reviewer should determine whether further action is necessary and the actions to address such challenges.²¹ When issues are identified that are so significant that waiting to report through regular procedures would be inappropriate or injurious to the organization (including the discovery of impropriety), efforts can be made to communicate the results (even if tentative) immediately to the most appropriate individuals. Reporting identified deficiencies to individuals other than the relevant audit partner or director does not need to include identifying the specific audits concerned unless the

¹⁸ GAS, 5.59.

¹⁹ [CIGIE, *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, March 2020.](#)

²⁰ GAS, 5.51.

²¹ GAS, 5.59c.

identification is necessary for the other individuals to properly discharge their responsibilities.²²

Recommendations should be addressed to those who have the authority to implement corrective action. Consistent and appropriate oversight (follow-up) on the implementation of the recommended corrective actions should be inherent to the reviewing entity's role, responsibilities, and actions. As a good practice, recommended corrective actions ought to be:

- specific
- measurable
- achievable
- relevant
- time-oriented
- appropriate
- realistic
- cost-effective
- actionable

Reporting QA review results can take many forms and align with various levels of formality. For example, a QA reviewer may relay results in the following ways:

- Provide a report summarizing the results of the QA review conducted or the completed QA review checklist with outcomes to the reviewed audit team and request that the team provide responses for corrective actions.
- Use a scoring mechanism in the QA review checklist and issue a metric to the audit team when the review is completed.
- Conduct an informal exit conference with the audit team and audit manager, sharing the QA results, allowing the opportunity for the audit team to better understand the QA reviewer's findings, particularly as they relate to GAGAS; to provide clarification, as needed; and to discuss recommendations on how to correct and prevent future issues.
- Develop a presentation to share with the audit staff to communicate findings and results of the QA review. Such presentations can include all audits reviewed, summarizing results for the audit organization as a whole (as opposed to limiting it to specific audits).

Figure 4 is an example of a matrix that could be used to informally communicate results to the audit teams. However, the QA reviewer can use a variety of ways to communicate results to teams.

²² GAS, 5.57.

Figure 4. Audit Reporting Matrix

[Audit Identification Number]					
[Audit Title]					
Issue Number	Audit Area	Audit Issue	QA Review Team Recommendation	GAS Reference/Internal Policy Manual	Audit Team Response
1	Fieldwork Standards - Planning	We could not determine whether or not the audit team assessed the risk of fraud.	Perform and document an assessment of the risk of fraud for all audits.	Government Auditing Standards ¶ 8.71 (July 2018) Policy Manual Chapter XX	[Insert audit team response.]
2	Fieldwork Standards - Evidence and Supervision	Two audit workpapers were not signed off as prepared and reviewed prior to the issuance of the final audit report. These workpapers did not pertain to the packaging or distribution of the final audit report.	Ensure that audit documentation is signed off as prepared and reviewed before the final report is issued.	Government Auditing Standards ¶ 8.133 and 8.135c (July 2018) Policy Manual Chapter XX	[Insert audit team response.]

Source: QAWG

Note: The QA review team may also document and communicate cause and effect, either potential or actual. This becomes increasingly important when the QA review recommends corrective actions.

ANNUAL REPORTING

The audit organization is required to analyze and summarize the results of its monitoring process at least annually to assess compliance with GAGAS in the following areas:

- To what extent have personnel complied with professional standards, agency specific policies and procedures, and applicable legal and regulatory requirements, and to what extent have they demonstrated/documentated their compliance?
- To what extent are the policies and procedures that are related to the system of quality control (the control environment) suitably designed and operating effectively in practice?²³

Information communicated to the relevant audit partner or director and other appropriate personnel should include the following:

- a description of the monitoring procedures performed

²³ GAS, 5.42 and 5.47.

- the conclusions reached from the monitoring procedures
- a description of systemic, repetitive, or other deficiencies needing improvement, along with recommendations and corrective action, when relevant²⁴

A major component of the annual report is summarizing the results of QA reviews that were conducted during the year. The QA reviewer can identify systemic or repetitive deficiencies to include in the report and to analyze and support the overall conclusions reached by creating a spreadsheet or table that consolidates the results documented in QA review checklists or the individual QA reports issued during the year.

As discussed previously, the QA reviewer can conduct a variety of QA activities throughout the year, which should be presented in the annual QA report, including the following:

- compliance with the organization's policies and procedures for conducting and reporting on individual audits
- accuracy of the data entered into its audit information system by audit teams
- compliance with the GAS independence standard, including the approval and documentation of any personal impairments
- compliance with the GAS continuing professional education requirements
- compliance with any other GAS standards, such as audit planning and supervision
- timeliness of completing audit engagements or specific phases of the audit engagement

Other components may be included in the annual report, if applicable:

- audit issues needing attention that are not systemic issues
- comments received from queries to report reviewers and referencers, supervisors, and auditors on matters they have noted in the organization's quality control process that could be improved
- the status of the actions taken to address prior-year QA recommendations
- the status of actions taken to address peer review recommendations
- QA activities scheduled for the current or next year
- while not required, if the QA reviewer conducted the QA review in accordance with internal policies and procedures or professional standards this could be cited in the report

²⁴ GAS, 5.43 and 5.44.

The QA reviewer makes recommendations to those who have the authority to implement corrective actions that flow from the findings and address the causes of the identified deficiencies. See the section in this white paper titled, *Communicating the Results of the QA Review*, for good practices in developing and communicating recommendations.

To ensure the report's accuracy and management's acceptance of the findings and recommendations, the QA reviewer may take the following actions:

- Cross-index the annual report to supporting documentation and have it reviewed by an independent report referencer before it is signed and issued.
- Issue a draft report and then include in the final report management's written response to the draft report that states whether they concur or disagree with the findings and recommendations and any corrective actions already taken or planned.

Although not required, the audit organization's senior officials may decide to share the annual monitoring of quality report within the audit organization and post it on its external website to reinforce the audit staff's compliance with applicable standards and procedures and to promote transparency.

See Appendix B for an example of an annual quality assurance report.

ASSESSING COMPLIANCE OF QA MONITORING AN REPORTING GAS REQUIREMENTS

Independent reviewers can also assess the OIG's QA monitoring and reporting processes. Specifically, an independent reviewer could check to see whether the OIG: (a) has policies and procedures for monitoring its completed audits and the design and implementation of the OIG's system of quality controls, (b) assigns individuals to perform monitoring that have sufficient expertise and authority within the audit organization, and (c) issues a report summarizing the results of its QA reviews and any systemic or repetitive issues needing improvement along with recommendations to appropriate OIG officials at least annually.²⁵

²⁵ GAS. 5.42-5.44.

APPENDIX A: EXAMPLES OF QA REVIEW METHODOLOGIES

Methodology 1 (Very Formal)	Methodology 2 (Less Formal)	Methodology 3 (Informal)
<ul style="list-style-type: none"> • Select the audit(s)/ activity for review • Review relevant criteria • Develop, or decide on, a QA review plan (or checklist) • Issue an announcement memorandum • Conduct an entrance meeting • Obtain access to the necessary documentation • Perform the QA review procedures • Conduct interviews of staff, as deemed necessary • Identify preliminary observations / findings • Obtain information and documentation that refutes and resolves the preliminary findings • Conduct an exit meeting • Issue a draft QA review report, or similar document • Obtain the appropriate officials’ written response to the draft report or document • Issue the final QA review report with management’s response • Summarize the overall results and issue a report to the appropriate senior management official** 	<ul style="list-style-type: none"> • Select the audit(s)/ activity for review • Decide on the CIGIE checklist or other internally created checklist to be used to perform the QA review • Email appropriate management notifying them of the QA review • Obtain access to necessary documentation • Conduct interviews of staff, as deemed necessary • Complete QA review checklist • Discuss review results with appropriate management • Provide a summary of the results and recommendations and solicit a written response from the appropriate management official • Conduct an exit conference, if deemed necessary • At the end of all reviews, summarize the results, determine any actions needed, and forward the overall results to appropriate senior management officials** 	<ul style="list-style-type: none"> • Select the audit(s)/ activity for review • The QA reviewer completes a checklist that covers part of the Yellow Book and some internal procedures. The completed checklists form a basis for the annual QA report • The QA reviewer may perform QA procedures on other activities • On an annual basis, summarize the results, determine any actions needed, and forward the overall results to appropriate senior management officials**

*See QA Reviews: Documenting and Communicating Results section

**See Annual Reporting section

Source: QAWG

APPENDIX B: EXAMPLE OF ANNUAL QUALITY ASSURANCE REPORT

MEMORANDUM

DATE: September 30, 2019

TO: John Doe
Assistant Inspector General for Audits

FROM: Jane Doe
Assistant Inspector General for Management

SUBJECT: Fiscal Year 2019 Annual Quality Assurance Program Summary

This memorandum documents the Office of Management's summary of its review of the quality control and assurance program of the Office of Audits (OA) for Fiscal Year (FY) 2019.

GAS Requirement for Annual Summary

According to the 2011 Government Auditing Standards (GAS) §3.95:

The audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to appropriate personnel any deficiencies noted during the monitoring process and make recommendations for appropriate remedial action.

The 2018 Government Auditing Standards (GAS) §5.44 has this identical requirement. Note that since this annual summary includes audits that began before the 2018 GAS came into effect (for performance audits starting on or after July 1, 2019), the 2011 GAS would apply to the work reviewed in this quality control annual summary.

OIG's Quality Assurance Program, FY 2019

Per the OA's *Quality Control and Assurance Policy*, the quality of OA's work is monitored through internal quality control review (IQCR), systemic monitoring, and training. Additionally, every three years OA is also peer reviewed by another OIG office (per the Council of the Inspectors General on Integrity and Efficiency - CIGIE) to further ensure the quality of work. During this fiscal year, OA was not subject to a peer review by an independent OIG office. The next peer review is scheduled to be conducted for the period ending September 30, 2020 by an independent OIG.

This performance year, the monitoring system of quality control consisted of the following:

- Spot checks of a judgmental sample of five ongoing audit workpaper projects to ensure workpapers were being completed and reviewed timely and accurately.
- One independent quality control review (IQCR) of a completed audit.
- Review of training to ensure required staff met the annual GAGAS CPE training requirements.

Spot Checks of Workpapers for Ongoing Audits:

The QA manager and OM program analyst judgmentally selected 5 open audits that were significantly complete by various teams for review and reported the results of this review in a memo dated September 27, 2019. The audit workpaper files reviewed were:

[Deleted]

The QA manager and program analyst discussed with the AIGA what concerns he had with ongoing workpapers. As a result, the QA staff reviewed the workpaper files for the following attributes: 1) independence statements uploaded; 2) design matrix completed; 3) workpapers complete commensurate with audit phase; and 4) workpapers timely approved by supervisor. We found that overall the workpapers were generally very good. One performance audit was behind in the completion of workpapers, but that was due to staffing limitations and competing priorities, and another was behind in uploading of independence statements, which was since corrected before the audit was completed.

The QA manager conducted a follow-up review of the workpapers four months after the initial review and found that for the audits that were issued and workpapers were closed, all workpaper files were complete. For the audits that were still ongoing, the workpapers were caught up to date.

From reviewing the workpapers and discussions with the audit teams and audit directors, the AIGA and directors made the following changes:

- Updated the performance audit template to reflect various stages of risk assessment, instead of having one final risk assessment at the end of the audit.
- Established a procedure to ensure all critical documents are filed separately in TeamMate, instead of just attached to a transmittal email.
- Both directors reviewed instituted an internal procedure for reviewing completed workpapers every Friday, and during this procedure to review the workpaper files for progress and follow up with staff as needed to ensure timeliness.

Internal Quality Control Review (IQCR):

The quality assurance team issued one IQCR report dated August 14, 2019, reporting the review of the Audit of [Delete]. The QA manager solicited volunteers from OA staff not involved with the audit to conduct the review for this fiscal year. The audit was selected from a sample of completed audits for the prior performance year, rotating selecting from each division at a

minimum of every three years. The IQCR includes reviewing the completed workpapers to ensure the audit team's work complied with Government Auditing Standards and OIG Office of Audit policies and procedures including independence, professional judgment, competence, planning, supervision, and reporting.

Overall, the audit team staff conducting the [Deleted] Audit substantially met the GAGAS general and performance audit standards of independence, professional judgment, competence, fieldwork, and reporting. However, the review identified steps the audit director could take to strengthen compliance with OA's Independence Policy and areas where OA could update or clarify policy on meetings and report issuance. The audit director and AIGA agreed with the recommendations and have since updated the meetings policy to clarify that not all meetings are always required. Additionally, procedures have been implemented to make uploading of senior management independence statements easier to complete. Also, the recommendation related to clarifying where the verification of congressional notification and IT report posting has been brought to the Office of Management for consideration. No further action by OA is needed at this time. All IQCR recommendations have been addressed.

Training:

Individual and group training is offered as needed by in-house or contracted expertise. Courses are attended for individual requirements. During this fiscal year, OA trained all staff during OA staff meetings on the following: independent report referencing, new GAGAS requirements including new internal controls policy and templates; OA policy updates due to new GAGAS requirements; uniform guidance updates; new CIGIE peer review guide; and several other debriefs on lessons learned from various other policy updates and audits issued during the performance year. The OIG also brought in contracted training on program management to assist with audit strategies when auditing large facility projects.

As a general rule, the audit managers and directors are responsible for training their new staff on audit standards and our related policies, and to review their staff's workpapers in the audit files, and feedback is provided through the supervisory review process. But they also can request specific presentations and other meetings with staff to discuss specific policies as needed.

CPEs:

March 31, 2019 was the end of the 2-year GAGAS CPE cycle. We reviewed OA staff Continuing Professional Education credits (CPEs) for the two-year period (April 1, 2017, to March 31, 2019) to ensure staff met CPE requirements set by GAGAS and the *Government Auditing Standards Guidance Requirements for Continuing Professional Education April 2005* (CPE Guidance in effect for the CPE cycle reviewed). We determined that all OA staff met the 1-year minimum requirements (minimum 20 hours CPE), and met the GAS requirements for the two-year cycle, specifically, for individual staff to complete 24 hours of government-related training and 80 hours total for the two-year cycle.

We continued the quarterly review of individual accomplishment of the CPE requirements and provided a quarterly status notification by the training officer to each OA staff member and their

audit director. All staff are on track to meet the minimum annual requirement due March 31, 2020. Note that the new GAGAS 2018 CPE requirements are virtually identical to those in the 2011 version, except they use slightly different language, but the requirements are still the same (at least 20 hours each year; and 24 hours directly related to government auditing, the government environment, or the unique environment in which the audited entity operates and 56 other hours to total 80 required hours every two years).

Recommendations for FY20:

Based on the spot checks and IQCR conducted this performance year, we conclude that OA did not have any systemic issues this year. Any actions identified during the IQCR or peer review have been addressed by updating various OA policies and procedures and/or updating the audit workpaper templates.

cc: IG
Other responsible parties

APPENDIX C: GLOSSARY

Audit: Either a financial audit or performance audit conducted in accordance with generally accepted government auditing standards (GAGAS). (GAS, 1.27b)

Audit Organization: A government audit entity or a public accounting firm or other audit entity that conducts GAGAS engagements. (GAS, 1.27c) Audit organization and Office of Inspector General (OIG)—that either with or without an audit function performs GAGAS engagements—are used interchangeably in this white paper.

Audit Risk: The possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete. The assessment of audit risk involves both qualitative and quantitative considerations. (GAS, 8.16)

Council of Inspector General on Integrity and Efficiency (CIGIE): An independent entity statutorily established within the executive branch by The Inspector General Reform Act of 2008, P.L. 110-409, to address integrity, economy and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. <https://ignet.gov>

CIGIE's *Quality Standards for Federal Offices of Inspector General* (August 2012): This manual (commonly known as the Silver Book) prescribes quality standards for the management, operation, and conduct of the Federal Offices of Inspector General. These standards incorporate by reference the existing professional standards for audit, investigation, and inspection and evaluation efforts. <https://ignet.gov/sites/default/files/files/Silver%20Book%20Revision%20-%208-20-12r.pdf>

Federal Audit Executive Council (FAEC): A subgroup, established by CIGIE, to discuss and coordinate issues affecting the Federal audit community with special emphasis on audit policy and operations of common interest to FAEC members. <https://ignet.gov/content/federal-audit-executive-council>

GAO: *Government Accountability Office*. Known as "the investigative arm of Congress" and "the congressional watchdog," GAO supports Congress in meeting its constitutional responsibilities and helps improve the performance and accountability of the Federal government for the benefit of the American people.

Peer Review: OIG audit organizations are required by GAGAS and CIGIE to have and conduct peer reviews to help auditors to fulfill their oversight roles and comply with statutory requirements, professional standards, and established policies and procedures.

Performance audits: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to, among other things, improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public

accountability. In a performance audit, the auditors measure or evaluate the subject matter of the audit and present the resulting information as part of, or accompanying, the audit report. (GAS, 1.21 and 8.14)

Professional Judgment: Use of the auditor’s professional knowledge, skills, and abilities, in good faith and with integrity, to diligently gather information and objectively evaluate the sufficiency and appropriateness of evidence. Professional judgment includes exercising reasonable care and professional skepticism. (GAS, 3.110)

Quality Assurance (QA): An ongoing consideration and evaluation of the audit organization’s system of quality control, including inspection of engagement documentation and reports for a selection of completed engagements to provide management with reasonable assurance that (1) the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice and (2) auditors have followed professional standards and applicable legal and regulatory requirements. GAGAS also refers to this process as “monitoring of quality.” (GAS, 5.47)

Quality Assurance (QA) Review: The performance, documentation, and communication of monitoring procedures and results that enable the audit organization to assess compliance with professional standards and quality control policies and procedures for completed GAGAS engagements. Reviews of the work by engagement team members prior to the date of the report are not monitoring procedures. (GAS, 5.43, 5.44, 5.47, 5.53, 5.59)

Quality Assurance (QA) Reviewer: An individual who performs monitoring procedures and assesses the audit organization’s compliance with professional standards and quality control policies and procedures for GAGAS engagements. The individual should have sufficient expertise and authority with the audit organization and, if possible, does not have responsibility for the specific activity being reviewed. (GAS, 5.43, 5.48)

Quality Assurance Working Group (QAWG): A group formed by representatives from various Federal Offices of Inspector General in October 2016 to enhance and improve the quality assurance review processes within the Federal Inspector General community and that formally became a subgroup under the CIGIE FAEC in January 2019.

<https://ignet.gov/sites/default/files/files/QAWG-Charter.pdf>

Quality Control: The OIG’s leadership 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 audit organization’s quality control system will vary based on the audit organization’s circumstances, such as size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its engagement work, and cost-benefit considerations. (GAS, 5.02, 5.03)

U.S. Government Accountability Office’s (GAO) *Government Auditing Standards, 2018 Revision (April 2021)*, GAO-21-368G: This publication (known as the **Yellow Book** or **GAS**) prescribes professional standards that provide a framework for auditors to perform high-quality

audit work with competence, integrity, objectivity, and independence to help improve government operations and services. These professional standards are often referred to as generally accepted government auditing standards (**GAGAS**).²⁶

<https://www.gao.gov/assets/gao-21-368g.pdf>

²⁶ In April 2021, GAO made technical updates to the 2018 revision of Government Auditing Standards. These technical updates to the 2018 revision of Government Auditing Standards were effective upon issuance. For additional information, please see GAO-21-368G, pp. i-ii.

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