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

September 2014



Message from the Chair of the Council of the Inspectors General on Integrity and Efficiency Audit Committee

September 2014

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

The September 2014 *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* (September 2014 Guide) implements the CIGIE Audit Committee's peer review program. This guidance provides CIGIE member audit organizations with information on the implementation of the General Standard on Quality Control and Assurance in *Government Auditing Standards*, issued by the Comptroller General of the United States. Pursuant to its charter, the CIGIE Audit Committee administers the peer review program under GAGAS for OIGs. The September 2014 Guide is based on (1) changes adopted by the CIGIE Audit Committee and described in its policy statement and (2) the December 2011 revision to *Government Auditing Standards*, and supersedes the March 2009 Guide and its corresponding November 2012 update.

The September 2014 Guide

- Discusses two types of peer reviews — *External Peer Review* and *Modified Peer Review*. The External Peer Review is designed to assess the OIG audit organization's system of quality control in accordance with *Government Auditing Standards*. The Modified Peer Review, new to the September 2014 Guide, is designed to assess an OIG audit organization whose work conducted in the last 3 years did not include audits and attestation engagements performed in accordance with GAGAS, but the OIG audit organization maintained policies and procedures in anticipation of performing such work. The Modified Peer Review assesses audit policies and procedures to determine whether they are current and consistent with applicable professional standards. It is the belief of the Audit Committee members that the OIG should be subject to a peer review process, and although an audit organization may not have performed GAGAS audits and attestation engagements during the period under review, the OIG may have performed monitoring of contracted work and established and maintained policies and procedures to conduct audit work, in accordance with applicable professional standards.
- Consolidates illustrative materials with the applicable peer review guidance – *Section 2: Guide for Conducting the External Peer Review* and *Section 3: Guide for Conducting the Modified Peer Review*; and Appendix G, *Optional Audit Staff Questionnaire*.
- Updates Appendix C, *Checklist for Review of Financial Audits Performed by the Office of Inspector General*, and Appendix D, *Checklist for Review of Attestation Engagements Performed by the Office of Inspector General*, to be consistent with changes in the December 2011 revision to *Government Auditing Standards*.
- 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 CIGIE and the Federal Audit Executive Committee members and audit organizations in the Federal Government who use or who have an interest in the guidance. The September 2014 revision is effective upon publication.

I extend special thanks to the members of the CIGIE Peer Review Guide working group and the members of CIGIE and the Federal Audit Executive Committee, and other Federal audit organizations for their extensive input and feedback throughout the process of revising the peer review guidance. The CIGIE Audit Committee welcomes any suggestions for further improving the peer review program. Comments and suggestions may be directed to APRG@oig.treas.gov.

The Honorable Jon T. Rymer
Inspector General, Department of Defense
Chair, CIGIE Audit Committee

Council of the Inspectors General on Integrity and Efficiency Audit Committee

September 2014

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

I. Purpose

The purpose of this statement is to provide the members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) with policy guidance to on the implementation of the General Standard on Quality Control and Assurance in *Government Auditing Standards (GAS)*.¹ Pursuant to its charter, the CIGIE Audit Committee administers the peer review program under generally accepted government auditing standards (GAGAS) for Federal Offices of Inspector General (OIGs).

II. Background

GAGAS requires audit organizations² that perform audits or attestation engagements³ in accordance with GAGAS to establish and maintain a system of quality control and to undergo an external peer review at least once every 3 years. GAGAS describes the elements of a system of quality control in greater detail, and the external peer review process. GAGAS also prescribes requirements for granting extensions of deadlines for submitting peer review reports. In the context of the September 2014 *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* (September 2014 Guide), the term “External Peer Review” refers to the GAGAS required peer review.

CIGIE has also added a “Modified Peer Review” section to this September 2014 Guide to refer to a peer review of an OIG that did not perform GAGAS audits and attestation engagements, but maintained audit policies and procedures in anticipation of performing such work. It is the view of the CIGIE Audit Committee that it would be useful for such an OIG to be subject to a peer review process to help ensure that its audit policies and procedures, if established, are current and consistent with applicable professional standards. Whether an OIG conducts audits 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. These quality standards incorporate, by reference, existing professional standards for audits, investigations, inspections, and evaluations.

¹ GAGAS are promulgated by the Comptroller General of the United States and contained in *Government Auditing Standards (GAS)* published by the Government Accountability Office. This September 2014 Guide is based on the December 2011 Revision to *Government Auditing Standards*. In general, the Inspector General Act of 1978 (Public Law 95-452), as amended, section 4(b) and 12(c)(2) (5 U.S.C. Appendix 3) requires Federal OIGs to comply with GAGAS and to adhere to professional standards developed by CIGIE.

² Throughout this document, the term “audit organization” refers to an OIG that, whether with or without an audit function, performs audits and attestation engagements in accordance with GAGAS.

³ Throughout this document, the term “audits”, when used alone, refers to audits and attestation engagements conducted in accordance with GAGAS. GAS, 1.07c refers to audits as financial audits, attestation engagements, and performance audits conducted in accordance with GAGAS. (Dec. 2011)

The CIGIE Audit Committee's policy statement on the system of quality control and the peer review guidance were first issued in August 1989, and are periodically revised. The policy statement provides guidance on the system of quality control, including quality assurance review programs and the peer review program. Starting with this September 2014 Guide, the CIGIE peer review program requires either an External Peer Review in accordance with GAGAS, or a Modified Peer Review in accordance with CIGIE guidance. CIGIE adopted the Modified Peer Review to cover an OIG that did not perform GAGAS audits and attestation engagements in the 3 years since its last peer review, yet maintained audit policies and procedures.

III. System of Quality Control

GAGAS requires audit organizations that conduct audits in accordance with GAGAS to establish and maintain a system of quality control for the audit organization. The system of quality control 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 based on the OIG's circumstances. *Section 1: Guidelines for Office of Inspector General Quality Control and Assurance Programs* describes the requirements and guidelines for establishing a system of quality control for the audit organization.

GAGAS also requires audit organizations to document their quality control policies and procedures and communicate those policies and procedures to personnel. OIGs should also analyze and summarize the results of their monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. Monitoring of quality is an ongoing, periodic assessment of work for compliance with standards, laws, and policies.

IV. 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 the audit organization's compliance with the established system of quality control, referred to as an *External Peer Review*; or (2) established audit policies and procedures 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 3 years since its last peer review included GAGAS audits and/or attestation engagements. The objectives of the two types of peer reviews are different, and the reviewed OIG will need to ensure that it obtains the appropriate peer review for the type of work it performed:

- a. External Peer Review – This type of peer review is required of an OIG audit organization that performed GAGAS audits and attestation engagements. The objective of the External Peer Review is to determine whether, for the period under review, the reviewed OIG audit organization's system of quality control was suitably designed and whether the audit organization is complying with its system of quality control to provide it with reasonable

assurance of conforming with applicable professional standards in all material respects. Guidance for this peer review is detailed in *Section 2: Guide for Conducting the External Peer Review*.

- b. **Modified Peer Review** – This type of peer review is applicable to an OIG audit organization whose work did not include GAGAS audits and attestation 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 audit organization’s established policies and procedures are current and consistent with applicable professional standards. Guidance for this peer review is detailed in *Section 3: Guide for Conducting the Modified Peer Review*.

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

GAGAS requires audit organizations to obtain an external peer review at least once every 3 years. The GAGAS external peer review generally covers 1 year. For the GAGAS peer review, the scope typically consists of the period covered by the OIG’s two most recent semiannual reports to the Congress, but may be expanded as deemed necessary by the peer review team.

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 (which should be 3 years from the previous year-end). For example, if the most recent peer review covered the year ended March 31, 2014, then the next peer review should cover the year ending March 31, 2017. The report should be issued within 6 months after the end of the period under review; in this instance, by September 30, 2017. For an External Peer Review, the extension of the deadline for submitting the peer review report exceeding 3 months beyond the due date must be granted by the CIGIE Audit Committee and GAO under GAGAS. For a Modified Peer Review, the extension of the deadline for submitting the peer review report exceeding 3 months beyond the due date must be granted by the CIGIE Audit Committee.

Whether conducting an External Peer Review or a Modified Peer Review, the OIG conducting the review 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 knowledge of GAGAS and government auditing and sufficient knowledge of how to perform the peer reviews.

The September 2014 Guide provides OIGs with procedures to ensure that peer reviews are conducted in an appropriate and consistent manner. The peer reviews will culminate in a written report, 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, as needed. OIGs are encouraged to resolve areas of disagreement prior to issuing the peer review report. The CIGIE Audit Committee Chair may be consulted if the OIGs are unable to resolve disagreements. However, it is ultimately the responsibility of the reviewing OIG to render an opinion on the External Peer Review or provide the results of the Modified Peer Review.

Regarding peer review report distribution, OIGs are considered hybrid external and internal audit organizations.⁴ For this reason, the reviewed OIG should (1) make its most recent peer review report publicly available, for example posting the report on its website or using other methods for transparency; and (2) provide copies to others upon request and to those charged with governance.⁵ The OIG shall also provide copies of the final peer review report to the head of its agency, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee; and communicate the overall results and make its peer review report available to appropriate oversight bodies. Furthermore, the OIG shall include the results of its most recent peer review report in its semiannual report to Congress.⁶ In addition, and upon request, the reviewed OIG should coordinate with the previous peer review team to provide a copy of the previous final 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 will be allowed to 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 action has been 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 and are therefore not restricted from conducting a peer review of another OIG.

⁴ GAS, 1.09 (Dec. 2011)

⁵ GAS, 3.105, this requirement does not include any letter of comment (Dec. 2011).

⁶ 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](#) (Ctrl+left click to open the link.). This requirement does not include the letter of comment.

Section 1

Guidelines for Office of Inspector General Quality Control and Assurance Programs

Preface

1. This section presents the guidance for establishing a system of quality control for an audit organization of Federal Offices of Inspector General (OIGs). This section was developed to help OIG audit organizations establish and maintain a system of quality control to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. An OIG's system of quality control for the audit organization may differ depending on the structure of the organization, the number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit 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.

General Considerations

2. An OIG's system of quality control for its audit organization encompasses the audit organization's leadership, emphasis on performing high-quality work, and its policies and procedures.⁷ The system should be designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements, including generally accepted government auditing standards, applicable Office of Management and Budget and Government Accountability Office (GAO) guidance, and statutory provisions applicable to the OIG. Additionally, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Federal Offices of Inspector General* sets forth the overall quality framework for OIGs, including audit organizations.⁸
3. The nature, extent, and formality of an OIG audit organization's system of quality control varies based on the OIG's size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations.
4. A quality control and assurance program must be structured and implemented to ensure an objective, timely, and comprehensive appraisal of operations.
5. The same professional care should be taken with performing a peer review as with other OIG efforts, including adequately planning the review, documenting findings, developing supportable recommendations, and soliciting comments from the management of the activity or unit reviewed.

⁷ GAS, 3.83 (Dec. 2011)

⁸ [CIGIE Quality Standards for Federal Offices of Inspector General](#) (Ctrl+left click to open the link.) (Jan. 2012).

6. An OIG audit organization's quality control and assurance programs should address:
 - a. Leadership responsibilities for quality in the audit organization;
 - b. Independence and legal and ethical requirements;
 - c. Initiation, acceptance, and continuance of audits;
 - d. Human resources;
 - e. Audit performance, documentation, and reporting; and
 - f. The monitoring of quality in the audit organization.
7. The audit organization should prepare written communications to appropriate OIG personnel to document the audit quality monitoring process, and at least annually: (1) analyze and summarize the results of its monitoring process, (2) identify any systemic or repetitive issues that need improvement, and (3) make recommendations for corrective actions.⁹ An OIG may refer to *Government Auditing Standards* for additional guidance to evaluate:
 - a. The suitability of the design of the system of quality control;
 - b. The effectiveness of policies and procedures; and
 - c. Adherence to professional standards, legal and regulatory requirements, and policies and procedures.
8. Examples of policies and procedures include the following:
 - a. Communication provided to help staff sufficiently understand the objectives of their work and applicable professional standards;
 - b. Audit planning and supervision;
 - c. Appropriate documentation of the work performed;
 - d. Review of the work performed, the significant judgments made, and the resulting audit documentation and report;
 - e. Review of the independence and qualifications of any external specialists and the scope and quality of their work;
 - f. Procedures for resolving difficult or contentious issues, or disagreements among team members, including specialists;
 - g. Obtaining and addressing comments from the audited entity on draft reports; and
 - h. Reporting supported by the evidence obtained, and in accordance with applicable professional standards and legal or regulatory requirements.

⁹ GAS, 3.95 (Dec. 2011).

Section 2

Guide for Conducting the External Peer Review

Preface

1. This section presents the general guidance for conducting an External Peer Review of an audit organization of Federal Offices of Inspector General (OIGs) that conducted audits in accordance with generally accepted government auditing standards (GAGAS) during the 3 year period since the prior peer review or since the organization started its first GAGAS engagement.¹⁰ The section was developed to ensure the adequacy and consistency of the External Peer Review in accordance with GAGAS and the September 2014 policy statement issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Audit Committee. The guidance contained herein is not intended to supplant the review team's professional judgment as to the specific approach to take or procedures needed to be performed. The general standard for quality control and assurance in GAGAS is the overarching criteria for the External Peer Review. 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

Definitions

2. The following terms are used throughout this section and the appendices:
 - **Audits.** For the purpose of providing guidance on the peer reviews, the term “audits”, when used alone, pertains to both audits and attestation engagements performed in accordance with GAGAS.
 - **Independent Public Accountant (IPA) Monitoring.** IPA monitoring consists of activities by the reviewed OIG to contract for and monitor GAGAS audit and attestation work performed by an IPA firm where the IPA served as the auditor. The Inspector General Act of 1978, as amended, 5 U.S.C. Appendix. 3 (IG Act) requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors.¹¹ The IG Act also requires OIGs to ensure that the work of non-Federal auditors adheres to GAGAS.¹² IPA monitoring conducted by an OIG is not an audit and GAGAS does not prescribe standards for IPA monitoring.

¹⁰ The 3 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 scope of the review.

¹¹ Section 4(b)(1)(B) of the IG Act

¹² Ibid., section 4(b)(1)(C)

- **Nonaudit Services.** In general, nonaudit services are professional services other than audits performed by an OIG audit organization 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 audit, such as providing advice and responding to questions as part of an audit, are not considered nonaudit services. Additionally, reviews performed by the OIG under the CIGIE *Quality Standards for Inspection and Evaluation* are not considered nonaudit services.¹³ 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 audit it performs.
- **Quality Assurance Program.** A quality assurance program is an ongoing, periodic assessment of work completed on audits that were performed by OIG personnel and is designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. The purpose of monitoring compliance with quality control policies and procedures is to provide an assessment of (1) adherence 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 (GAO'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. These include the audit organization's size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations.

Objectives of the External Peer Review

3. An External Peer Review is applicable to an OIG audit organization that conducted audits and/or attestation engagements in accordance with GAGAS in the 3 years since its last peer review or since it started its first GAGAS engagement. The objectives of the External Peer Review are to determine whether, for the period under review, the reviewed OIG audit organization's system of quality control was suitably designed and whether the organization

¹³ According to the CIGIE *Quality Standards for 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. They include inquiries and similar types of reviews that do not constitute an audit or a criminal investigation. They provide information and recommendations to agency managers, policymakers, and others on improvements and administrative actions. (Jan. 2012)

is complying with its system of quality control in order to provide it with reasonable assurance of conforming with applicable professional standards in all material respects. The scope of this review should also include IPA monitoring activities if IPAs were engaged by the reviewed OIG audit organization to perform audits and attestation engagements.

Responsibilities and Characteristics of the External Peer Review Team

4. The review team should exercise professional judgment in all matters relating to planning, performing, and reporting the results of the External Peer Review. Nothing in this section should be construed to limit the flexibility of the review team in planning and performing the review.
5. The review team should be led by a team captain with sufficient expertise and who reports to an individual or at a level within the reviewing OIG that will ensure independence and objectivity in performing the External Peer Review. The team captain should also ensure the proper supervision of the staff.
6. The review team should have knowledge related to performing peer reviews. The team should collectively have sufficient knowledge of how to perform an External Peer Review. The individuals managing and conducting the review should have experience and thorough knowledge of applicable professional standards, and the environment relative to the work being performed to ensure a quality review. Having team members with prior experience on an External Peer Review or an internal quality assurance review is desirable but not required.
7. The OIG conducting the External Peer Review and individual review team members should be independent (as defined in GAGAS) of the OIG being reviewed, its staff, and the audits and attestation engagements selected for the review. The team should use the GAGAS conceptual framework for independence to help identify threats and apply safeguards to the External Peer Review.
8. The number of staff assigned to the review team depends on several factors, including, but not limited to, the size and geographic dispersion of the reviewed OIG, and the nature and extent of its audit universe. The review team should be adequately staffed to complete the review in a timely manner. Members of the review team should be selected from one OIG or several OIGs to form an ad-hoc team.
9. 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, auditors with financial audit experience, or auditors with experience monitoring the work of IPAs. Also, when the reviewed OIG's audit universe includes classified information, or the reviewed OIG uses electronic audit software to document their work, the review team should be capable of reviewing such work and plan accordingly, to include having the proper clearance to access the classified information, and training and any audit documentation software needed.

Planning and Performing the External Peer Review

Initiation of the External Peer Review and Administrative Matters

10. When the reviewed OIG conducted GAGAS engagements in the 3 years since the last peer review or since the date that the reviewed OIG started its first GAGAS engagement, the reviewed OIG makes informal contact with the reviewing OIG early in the process, and such contact is encouraged to ensure that the reviewed OIG obtains the External Peer Review report within the time frame required by GAGAS. Such contact also helps the reviewing OIG plan the review and identifies any special circumstances surrounding the External Peer Review.¹⁴ The peer review schedule is maintained by the CIGIE Audit Committee and identifies the OIGs scheduled for a peer review and the OIGs scheduled to perform the peer review, the peer review report scope, and due dates; and is categorized by the OIG audit staff size. After such 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 External Peer Review and requesting a formal entrance conference. The engagement letter should also contain a request that the information in paragraph 18 of this section be provided at or before the entrance conference. Sufficient time should be given to the reviewed OIG to compile the information.
11. 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 reviewed OIG audit organization management should brief the review team on organizational issues and work practices (e.g., roles and responsibilities of the audit organization, the use of electronic audit software, and other matters); the level of security clearance/access needed; and any training that may be required before the review to facilitate preparation and planning. The proposed elements of the suggested memorandum of understanding (MOU) at paragraph 19 should also be discussed. An illustrative MOU is included at paragraph 48 for the team to use and should be modified, as appropriate, to fit the circumstances of the review.
12. Adequate work space should be provided for the review team.
13. If travel is necessary to accomplish the objectives of the review, the reviewing OIG should pay its own travel expenses. If the team is made up of members of different OIGs, the team members' respective OIGs should pay their travel expenses.
14. The review team should maintain administrative records of the staff days 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 that they are available for the next peer review team for its planning purposes.

¹⁴ GAS, 3.96 requires an audit organization conducting GAGAS audits to obtain a peer review once every 3 years. (Dec. 2011)

Scope of the External Peer Review

15. The scope of the External Peer Review is based on the period covered by the reviewed OIG's prior peer review (whether an External Peer Review or a Modified Peer Review was conducted). Specifically, it will cover the year-end which is 3 years from the year-end covered by the prior peer review. For example, if the prior peer review year-end was March 31, 2011, then the current peer review covers the year ending March 31, 2014. However, if this is the first peer review for an audit organization not already subject to a peer review requirement, then the scope should cover a review period ending no later than 3 years from the date an audit organization begins its first audit in accordance with GAGAS. The due date for the External Peer Review report is 6 months from the year-end covered by the peer review. Following our example, the due date for the External Peer Review report in this case is September 30, 2014. In accordance with GAGAS, approval of extensions to the due date exceeding 3 months beyond the due date must be obtained from the CIGIE Audit Committee and GAO. Typically the period under review covers 1 year, but may be expanded as deemed necessary by the review team.
16. GAGAS recognizes 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 audit work, and cost-benefit considerations. Nonetheless, the audit organization 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 internal 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 such internal procedures to the reviewed OIG audit organization management's attention for corrective action. Comments may either be provided verbally or in writing. Written comments may be in a letter of comment or similar document depending on the pervasiveness and severity of the noncompliance.
17. The scope of the External Peer Review should also include a review of the OIG audit organization's monitoring of audits contracted to IPAs where the IPA serves as the auditor. IPA monitoring activities are not audits performed in accordance with GAGAS. However, audit work performed by IPAs may be significant in many OIGs. Also, OIGs have responsibility under the IG Act to ensure that contracted IPA audit work conforms to GAGAS. Accordingly, the CIGIE Audit Committee determined that it is prudent to give this area appropriate coverage as part of the External Peer Review. The focus of the review on IPA monitoring activities will be on contracting and monitoring practices to ensure that contracted work complies with professional standards. Weaknesses found with IPA monitoring activities are to be reported in the letter of comment or similar written document.

Planning/Pre-Site Visit

18. The following steps should be performed prior to the entrance conference to obtain an understanding of the reviewed OIG audit organization and to determine the nature and extent

of the External Peer Review and the type of audits and attestation engagements to select for review by the team:

- a. **Audit Quality Control Policies and Procedures.** The review team should request the reviewed OIG to complete Section 1 of Appendix A, *Policies and Procedures*, and provide references to and a copy of its policies and procedures.
- b. **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 External Peer Review. The semiannual reports provide information regarding the nature and volume of completed audit work, as well as other matters that may help the review team understand the environment in which the reviewed OIG operates. The reports should also serve as a source for selecting individual audits for review.
- c. **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 to access the peer review documentation. 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 External Peer Review fieldwork, the 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.
- d. **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 3-year period since the year-end covered by the preceding peer review.
- e. **Other Documentation.** The review team should obtain other documentation it deems necessary to conduct the External Peer Review, including but not limited to the annual audit plan(s) for the period covered; a printout of the audit tracking system of the specific information needed (e.g., audits scheduled, cancelled, terminated, or completed during the period); a listing of nonaudit services performed; an organization chart; a staff roster (including series and grades); professional designations; and a continuing education summary for all staff for the most recent 2-year reporting period. If readily available, the team should obtain information regarding the staff's advanced degrees or special skills. If information is not readily available, request this data, as needed, after the individual audits to be reviewed have been selected.
- f. **Terminated Audits.** During the planning phase, information should also be requested on audits terminated during the period, to determine whether the audit organization documented the results of the work to the date of termination, why the audit was terminated, and how the reason for termination was communicated to those charged with governance, appropriate officials of the audited entity, and other appropriate officials.

Memorandum of Understanding

19. An MOU is recommended to ensure mutual agreement regarding the fundamental aspects of the External Peer Review and to avoid any misunderstandings. The MOU 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 at paragraph 48 and typically covers the following topics:
- a. **Scope of the Review.** See the paragraphs 15 to 17 of this Section.
 - b. **Staffing and Timeframe.** The review should be scheduled and conducted to ensure a report is issued within 6 months of the end of the period to be reviewed.
 - c. **Nonaudit Services.** The MOU should state that the reviewed OIG will provide, in writing, a listing and a description of all nonaudit services rendered within the prior 3 years.¹⁵ If applicable, once the individual audit and attestation engagements selected for review are revealed to the reviewed OIG, it needs to inform the peer review team in writing of any nonaudit services related to the selected audits. If the reviewed OIG performed any nonaudit services requiring supplemental safeguards as required by GAGAS, the reviewed OIG should provide the peer review team with the GAGAS-required documentation.¹⁶
 - d. **Preliminary Findings.** The MOU provides for timely interim discussion of preliminary findings including, as applicable, holding exit meetings at field offices visited. A commitment to open and ongoing communication between the parties is important to ensure that the review is conducted in an efficient manner.
 - e. **Reporting Results.** The MOU establishes the guidelines for the reporting process, specifically:
 - Designating the report's addressee and signer (e.g., draft issued to and from the respective Assistant Inspectors General for Audit or equivalent and final report issued to and from the Inspectors General);
 - Providing a discussion draft report and a formal draft report for the official response;
 - Scheduling the exit conference;
 - Designating a time period for responses to the applicable draft reports; and
 - Issuing the final report.
 - f. **Administrative Matters.** Other topics may be covered, as needed or considered appropriate including: the points of contact, purpose and objectives of the External Peer Review, access to audit and administrative files, review approach, handling of sensitive information or clearances required, and logistics and facilities access. When preparing the

¹⁵ 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 accordingly would not require supplemental safeguards. While 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: (1) 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; and/or (2) provided tools and methodologies to agency management and others.

¹⁶ GAS, 3.33-3.52, 3.59 (Dec. 2011)

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 there is a scope limitation because of these restrictions.

- g. **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 and requests.

Risk Assessment

- 20. 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 18, and if used, the optional audit staff questionnaire discussed at paragraphs 24 to 26 in this Section, and at Appendix G, to determine the number and types of GAGAS audits and attestation engagements to select for review. The nature and extent of the work done in the 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 audits and attestation engagements that provide a reasonable cross-section of GAGAS work conducted by the reviewed OIG.
- 21. To evaluate the reviewed OIG audit organization's IPA monitoring activities, the peer review team should select a representative cross-section of audits and attestation 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

- 22. Documentation should be prepared to support the work performed and the conclusions reached during the External Peer Review, including evidence of supervision. 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 audit organization complied with applicable professional standards.
- 23. The reviewing OIG should retain the External 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 and physical and electronic security practices with respect to the External Peer Review documentation that it applies to its audit documentation. These policies should include safeguards against unauthorized use or access to the documentation.

Optional Audit Staff Questionnaire

24. GAGAS states that the peer review team should include, as an element in the scope of the external peer review, interviews with a selection of the reviewed audit organization's professional staff at various levels to assess their understanding of and compliance with relevant quality control policies and procedures. An optional audit staff questionnaire is included as Appendix G, *Optional Audit Staff Questionnaire*, for the team to use during planning and/or fieldwork, if desired. When the questionnaire is used, consideration should be given to privacy-related concerns to determine whether personal information is needed as part of the peer review documentation. The questionnaire 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.
25. The questionnaire is designed to determine whether the reviewed OIG audit organization communicated quality control and assurance 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 audits and attestation 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.
26. 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. On the other hand, a significant number of responses indicating that staff was not informed of some policies and procedures or that during the audits in which they participated some important aspects of these policies and procedures were not adhered to, may indicate a potential weakness in the system of quality control for the audit organization or the OIG's communication efforts. In such cases, the review team should explore the potential problem areas in greater detail.

System of Quality Control and Assurance Program

27. 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 to determine the adequacy of the program and the degree of control provided in the reviewed OIG audit organization's system of quality control.
28. 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 Section 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. As

necessary, specific review procedures should be designed to test compliance with policies and procedures by, if necessary, modifying the checklists at Appendices B through E.¹⁷

29. The purpose of reviewing the OIG audit organization's system of quality control is to determine whether the system is adequately designed. The CIGIE *Quality Standards for Federal Offices of Inspector General* provides an overall framework for establishing and maintaining 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.

Selection of Offices and Audits

30. A sufficient number of audits and attestation engagements, including terminated assignments, should be selected to enable the review team to reach a defensible conclusion as to whether the system of quality control of the reviewed OIG audit organization was adequately designed and complied with during the period reviewed to provide the audit organization with reasonable assurance of conforming with professional standards. 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 audit or attestation 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:
- a. The assignments listed in the audit tracking system.
 - b. Audits and attestation engagements appearing or described in the reviewed OIG's semiannual reports to Congress.
 - c. The number of OIG offices.
 - d. Findings and comments from the prior peer review report.
 - e. Audits and attestation engagements related to nonaudit services provided.
31. The review team should request that the reviewed OIG provide audit 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 individual audits. The reviewed OIG should provide reasonable access to all audit documentation, electronic and paper, 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 upon the review team's arrival at the field sites.

If the reviewed OIG cannot provide the requested audit files, whether electronic or paper, 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 audit documentation, including evidence of supervisory review, was

¹⁷ The checklists are available on the CIGIE website at <http://www.ignet.gov/pande/audit1.html>.

prepared in accordance with GAGAS;¹⁸ and (3) an explanation if such an assertion cannot be made. The review team should take these circumstances into consideration when assessing whether the audit documentation was prepared in accordance with GAGAS, and whether a scope limitation exists with the peer review.

Nature and Extent of Testing

32. 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 with professional standards. The extent of work performed by the reviewing OIG should be expanded as necessary to achieve that level of assurance.
33. The purpose of reviewing individual audits and attestation engagements is to determine whether applicable professional standards and established policies and procedures were followed. For the testing of audits and attestation engagements, Appendix C contains a checklist for the review of individual financial statement audits; Appendix D contains a checklist for the review of individual attestation engagements; and Appendix E contains a checklist for the review of individual performance audits.
34. The review of individual engagements should include a review of the auditors' report and the audit documentation, and discussions with the auditors who performed the work. The review team should exercise judgment in determining whether interviews with the auditors about matters noted in the reviewed audits and attestation engagements should be conducted in person or remotely.

IPA Monitoring

35. For audits and attestation engagements performed by an IPA as the auditor under contract with the reviewed OIG, the reviewing OIG 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 audits and attestation 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.
36. Appendix F contains a checklist for reviewing the reviewed OIG's monitoring of these engagements.¹⁹ It is important to note that the scope of the evaluation of the reviewed OIG's

¹⁸ GAGAS requires auditors to document evidence of supervisory review, before the audit report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the audit report. See GAS, 4.15a, 5.17b, and 6.83c for details. (Dec. 2011)

¹⁹ The checklist is available on the CIGIE website at <http://www.ignet.gov/pande/audit1.html> and contains additional information about the various degrees of responsibility that an OIG may assume in connection with an IPA's work.

IPA monitoring activities does not contemplate visiting the IPA or reviewing the IPA's audit 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 organization's system of quality control. However, these findings should be included in the letter of comment or other written or verbal communications. 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 engagements, the peer review team should use Appendix C, D, or E, as applicable.

Identifying Matters, Findings, Deficiencies, and Significant Deficiencies

37. In understanding the reviewed OIG audit organization's system of quality control, the review team may conclude that the system is not designed appropriately or that the organization is not complying with GAGAS or policies and procedures. Similarly, the testing of the sampled audits 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.²⁰ 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 assist the team (1) aggregate, evaluate, and conclude on the results and (2) determine the findings and recommendations to include in the report and the report opinion 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 audit team may issue an External Peer Review report with a rating of *pass*, *pass with deficiencies*, or *fail*.

- a. **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.
- b. **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 audit organization 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 do 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. For the External Peer Review, if the 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.
- c. **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

²⁰ See [GAO's Guidance for Understanding the New Peer Review Ratings](#) (Ctrl+left click to open the link) for additional information.

create a situation in which the organization 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*.

- d. **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 organization 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*.

38. After completing the checklist for each audit, attestation engagement, and IPA monitoring activities reviewed, findings should be developed and conclusions formulated. The review team should:

- a. Summarize the checklists' results, including identifying any repeat findings from prior peer review or internal quality assurance reviews.
- b. Identify findings (noncompliance with GAGAS and/or the reviewed OIG audit organization's policies and procedures) in the individual audits and attestation engagements reviewed which could impact the External Peer Review report rating. Guidance in paragraph 37 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 and therefore should not impact the External Peer Review report rating. However, the reviewing OIG 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.
- c. Identify any other matters that warrant disclosure to the reviewed OIG audit organization's management either verbally or in written forms like a letter of comment, including noncompliance with policies and procedures or deficiencies noted in its IPA monitoring activities.
- d. Assess the overall adequacy of the implementation of the reviewed OIG audit organization's system of quality control.

After all 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 may expand the scope to review additional audits or aspects of the system of quality control. The collective results of all tests performed during the review should be considered in order to reach an overall conclusion as to whether the reviewed OIG audit organization has established a system of quality

control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel complied with professional standards.

Reporting the External Peer Review Results

General Considerations

39. The process for the External Peer Review reporting should be discussed and agreed to between the OIGs, in the MOU, before the start of the peer review. 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 should include the comments as part of the final report. Sample reports and transmittal letters are included as illustrative materials at paragraphs 49 to 58. The sample documents should be modified to fit the circumstances of the findings and recommendations.
40. A written report should be issued at the completion of the External Peer Review and, when applicable, should include recommendations for corrective actions. 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 it with reasonable assurance of conformance with applicable professional standards. The report should also describe the scope and methodology of the External Peer Review, and as applicable, the scope of work related to the IPA monitoring activities where IPAs were contracted to perform audits and attestation 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. Written comments for each recommendation should be obtained from the official responsible for managing the reviewed OIG audit organization describing either (1) the corrective actions already taken and/or target dates for prospective corrective actions, or (2) the basis for why corrective action is not considered necessary.
41. Findings not sufficiently significant to affect the External Peer Review report opinion should be included in a letter of comment or separate written communication. This separate written communication should also include any findings noted with the reviewed OIG's noncompliance with its policies and procedures or IPA monitoring activities.

Types of External Peer Review Report Ratings

42. Three types of External Peer Review report ratings may be issued: *pass*, *pass with deficiencies*, and *fail*. With each rating, the review team may also have a scope limitation depending on restrictions to access information, documentation, or people. The rating must be supported by sufficient, appropriate evidence. In forming the report rating, the review team should consider the nature and extent of the evidence taken as a whole. Foremost, however, determining what rating to issue is a matter of professional judgment and is the responsibility of the reviewing OIG.

- a. **Pass.** An External Peer Review report with a *pass* rating 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 organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The team did not identify deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies or significant deficiencies, or recommendations. Findings and recommendations, if any, should be included in a separate letter of comment or other written communications to be issued by the reviewing OIG. In the event of a scope limitation, a report with rating of *pass with a scope limitation* is issued. Examples of possible scope limitation would be the (1) loss of audit documentation for a significant number of the reviewed OIG's audits completed during the review period caused by a natural disaster or other events or (2) the reviewed OIG excluded certain audits with sensitive topics from the universe of audits because of restricted access to the subject matter included in the audit reports, and the reviewing OIG could not perform other procedures to reduce the impact of the restricted access.
- b. **Pass With Deficiencies.** An External Peer Review report with a *pass with deficiencies* rating 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 organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects except for a certain deficiency or deficiencies that are 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 organization would have less than reasonable assurance of performing and/or reporting in conformity with applicable professional standards in one or more important respects due to the nature, causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the system of quality control taken as a whole. In the event of a scope limitation, a report with a rating of *pass with deficiencies with a scope limitation* is issued.
- c. **Fail.** An External Peer Review report with a *fail* rating 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 organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects; or (2) the audit organization has not complied with GAGAS and policies and procedures in all material respects. In the event of a scope limitation, a report with a rating of *fail with a scope limitation* is issued.

The formulation of the External Peer Review report rating to issue 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.

The significance of disclosed findings in the selected audits 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 audit reports may be impacted if one of the following conditions or combination of conditions exists:

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

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

If 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 related to supervision requires that "reviews of audit work should be documented before the report is issued."²¹ As GAGAS is generally not prescriptive, it understandably contains limited specificity as to what actions must be evidenced to be considered "proper supervision." GAGAS provides for flexibility in complying with the standard, contingent upon the circumstances of the audit, to include "the size of the audit organization, the significance of the work, and the experience of the staff."²² 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 audits reviewed, design deficiencies alone would not ordinarily be sufficient to result in an External Peer Review report rating of *pass with deficiencies* or *fail*. A rating of *pass with deficiencies* or *fail* would require extraordinary circumstances. If, however, reviewed audit reports are identified which are found to be unreliable, the causes of the deficiencies need to be examined, particularly as to whether design deficiencies were the sole or contributing factor. Causes attributable to design flaws in the system of quality control generally are of greater concerns in that the system should contain the necessary methods and measures to preclude, or timely detect, lack of adherence with GAGAS. If the design appears adequate as

²¹ GAS, 4.15a; 5.16b; 6.83c (Dec. 2011)

²² GAS, 6.55 (Dec. 2011)

prescribed but the deficiencies noted in reviewed audit reports were due to lack of compliance with the system of quality control, the design itself may need to be strengthened to increase compliance.

External Peer Review Report Contents

43. The External Peer Review report should:

- a. State at the top of the report, the title, “System Review Report.”
- b. 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.
- c. 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 the Audit Organizations of Federal Offices of Inspector General*.
- d. 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 with applicable professional standards in all material respects.
- e. State that the reviewer’s responsibility is to express an opinion on the design of the system of quality control and the OIG’s compliance therewith based on the review.
- f. Describe the nature, objectives, scope, limitations of, and procedures performed in the External Peer Review.
- g. Describe the process for the External Peer Review, including the process for the selection of the reviewed OIG’s audits for review.
- h. Describe the limitations of a system of quality control.
- i. 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 therein do not affect the overall opinion.
- j. As applicable, describe the scope of the work related to the audit organization’s IPA monitoring activities where the IPA was engaged as the auditor. In this regard, the report will also state that the purpose of the review is not to express an opinion on the IPA monitoring activities and that no such opinion is expressed. The report will also reference whether there are any matters noted with IPA monitoring that are included in the letter of comment.
- k. Include an enclosure that describes the External Peer Review scope and methodology, including a list of the audit reports reviewed and the reviewed OIG offices visited. The enclosure should also discuss any limitations and expansions of the scope, if applicable.

- l. Identify the different peer review ratings that the reviewed OIG could receive: *pass*, *pass with deficiencies*²³, and *fail*.
- m. 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 with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *pass*.
- n. 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 with to provide the reviewed OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *pass with deficiencies*.
- o. 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 with applicable professional standards in all material respects.
 - State at the end of the opinion paragraph that, therefore, the reviewed OIG has received a rating of *fail*.
- p. In the event of 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 at paragraphs 50, 52, and 54 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.
- q. 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.
- r. 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

²³ References to the plural forms of reports, deficiencies, and such could also apply to a singular form of the item within these guidelines. For instance, there could be deficiencies or a deficiency. The wording in the report should be tailored as necessary.

determined based on the underlying systemic cause of the deficiencies or significant deficiencies.

- s. 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.
- t. If a separate letter of comment is issued, include the reviewed OIG's official response to any findings and recommendations as an enclosure to the letter of comment.

Letter of Comment

44. A letter of comment or separate written communication should be issued in connection with the External Peer Review report if the review team believes that findings resulted in conditions being created in which there was more than a remote possibility that the reviewed OIG would not conform with professional standards, but the findings were not sufficiently significant to affect the 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. Written comments should be obtained from the reviewed OIG on these findings and recommendations and be included as an enclosure in the letter of comment. An illustrative letter of comment is included at paragraph 55.

Views of Responsible Officials

45. To ensure the objectivity, accuracy, and completeness of the findings, the review team should obtain the views of responsible officials of the reviewed OIG. When deficiencies are found during the review, the team should discuss the issues with senior audit management and staff, or the responsible official(s) designated by the reviewed OIG. All preliminary draft findings and conclusions must be presented during the review to the official(s) designated by the reviewed OIG to avoid any misunderstandings and to help ensure that all material facts are considered before a draft report is prepared. These disclosures may be conveyed informally, but should be in writing, to facilitate agreement regarding the conditions noted. Upon issuance of the discussion draft report, an exit conference should be held, modifications made to the report as necessary, and then a formal draft report conveyed with a request for written comments. The 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.

Report Distribution and Follow-Up

46. The reviewed OIG should make its most recent External 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. 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 external peer reviews conducted by another OIG,

and any outstanding recommendations from past peer reviews. These requirements do not include the letter of comment and its results and recommendations.

47. The reviewed OIG is responsible for implementing recommendations in the External Peer Review report. A follow-up on implemented recommendations should be included in the scope of the reviewed OIG's next peer review.

Illustrative Materials

48. Illustrative External Peer Review Memorandum of Understanding

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

Purpose

The purpose of this memorandum of understanding (MOU) is to ensure a mutual understanding between the (insert name of reviewing agency) Office of Inspector General (OIG) and the (insert name of reviewed agency) OIG regarding the fundamental aspects of the External Peer Review of the (insert name of reviewed agency) OIG audit organization. The parties listed in the MOU entered into this agreement pursuant to the authority of the Inspector General Act of 1978, as amended.

Points of Contact

(list contacts for reviewing agency OIG)

(list contacts for the reviewed agency OIG)

Staffing of (insert name of agency) OIG Review Team

The review team captain is (name and title). The team members will collectively have sufficient knowledge to perform the External Peer Review. To the extent feasible, the team includes personnel with prior experience with external peer or internal quality assurance reviews. The review team captain is responsible for the proper supervision of the review team.

Objective

The objective of this External Peer Review is to determine whether, for the period under review, the (insert name of reviewed agency) OIG audit organization's 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. As applicable, the External Peer Review will also determine whether controls over monitoring of contracted audits performed by Independent Public Accountants (IPA), where the IPA serves as the auditor, are suitably designed and complied with.

Review Approach

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* will be used in the conduct of the review (if desired, add a footnote with the date of the Guide). As set forth in the Guide, the approach will be to:

- Gain an understanding of (insert name of reviewed agency) OIG audit organization and its system of quality control.

- Evaluate whether (insert name of reviewed agency) 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 (insert name of reviewed agency) OIG’s professional staff to assess their understanding of and compliance with relevant quality control policies and procedures.
- Gain an understanding of (insert name of reviewed agency) OIG’s quality control and assurance program, and review selected internal quality assurance reports.
- Using the knowledge obtained from the preceding steps, assess review risk, select the office(s) and GAGAS assignments to review, and determine the nature and extent of tests to perform.
- Review a sample of individual audits and attestation engagements, collectively referred to as “audits”, to determine their adherence to GAGAS.
- Gain an understanding as to the extent (insert name of reviewed agency) OIG uses contracted IPAs to perform audits where the IPA is the auditor, and the policies and procedures for monitoring of IPA work.
- Review (insert name of reviewed agency) OIG’s IPA monitoring documentation for a sample of contracted audits, emphasizing the monitoring activities to ensure the IPA’s adherence to professional standards.
- Review other documents necessary for assessing compliance with standards; for example, independence and continuing professional education documentation, and relevant human resources files.
- Maintain open communication with (insert name of reviewed agency) OIG 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 review risk. The review team will sample the audits and internal quality assurance activities at field offices as well as at headquarters. The review team will also sample the audits 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 External Peer Review.

Scope of the External Peer Review

The scope of the External Peer Review will cover the elements of (insert name of reviewed agency) OIG audit organization’s system of quality control that are designed to provide reasonable assurance that audits conducted by the office, or for which it directly contracts, are carried out in accordance with GAGAS. The review will include audit reports issued during the 1-year period that ends 3 years after the end date of the period covered by (insert name of reviewed agency) OIG’s prior peer review. The review team may review other audits as it deems necessary. 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.

(Insert name of reviewed agency) Nonaudit Services

(Insert name of reviewed agency) OIG shall provide, in writing, a description and a listing of all nonaudit services rendered within the prior 3 years. (Insert name of reviewed agency) OIG shall also provide any related audit documentation required for the independence standards described in the December 2011 revision of *Government Auditing Standards*, 3.59 (if desired, add a footnote with “GAS is issued by the Comptroller General.”)

Administration

(Insert 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 all (insert name of reviewed

agency) OIG's personnel. The review team shall be provided access to all internal quality assurance documents, audit documentation, operational manuals, and other files of the reviewed OIG audit organization deemed necessary to conduct the External Peer Review. (Insert name of reviewed agency) OIG will inform the review team of any circumstances, such as audits 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 audits, as well as follow (insert name of reviewed agency) OIG's procedures for handling classified information.

Review Milestones

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

- Preliminary work to be completed, October 2014.
- Entrance conference, November 2014.
- Fieldwork to be completed, January 2015.
- Discussion draft report transmitted to (insert name of reviewed agency) OIG's Assistant Inspector General for Audit (AIGA), January 2015.
- Exit conference and submission of any unofficial comments, February 2015.
- Formal draft report transmitted to (insert name of reviewed agency) OIG's AIGA, February 2015.
- Formal written response from (insert name of reviewed agency) OIG's AIGA, March 2015.
- Final report issued to (insert name of reviewed agency)'s Inspector General, March 2015.

Preliminary Findings and Briefings

There will be timely interim discussions of preliminary findings with the goal of reaching agreement on each potential issue at the earliest point in the review process. An exit meeting will be held for each site reviewed. The primary purpose of these meetings is to verify facts related to the audits or other documentation.

At the completion of the fieldwork, the review team will hold an exit briefing. The purpose of this exit briefing is to discuss the preliminary results of the review, the opinion to be expressed, and any areas of noncompliance.

Reporting

After the preliminary findings have been discussed and facts verified, (insert name of reviewing agency) OIG's AIGA will issue a discussion draft report to (insert name of reviewed agency) OIG's AIGA rendering preliminary results and opinion on the system of quality control. A separate letter of comment will also be provided as necessary. (Insert name of reviewing agency) OIG will then arrange and hold an exit conference. The purpose of the exit conference is to discuss the results of the review, the opinion to be expressed, and any areas of noncompliance. (Insert name of reviewed agency) OIG will provide informal comments on the discussion draft at the exit conference. (Insert name of reviewing agency) OIG's AIGA will issue a formal draft report to (insert name of reviewed agency) OIG's AIGA. (Insert 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 (insert name of reviewing agency) Inspector General and issued to the (insert name of reviewed agency) Inspector General. The final written report will be prepared in accordance with the CIGIE *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. (Insert name of reviewed agency) OIG will be responsible for distributing the report in accordance with GAGAS and CIGIE guidance. (Insert name of reviewing agency) OIG will refer any third party requests for the report to (insert 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 peer review. (Insert name of reviewing agency) OIG shall keep this documentation until a subsequent peer review is performed on (insert name of reviewed agency) OIG. (Insert 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 (e.g., Freedom of Information Act requests, litigation [discovery] demands, or requests from oversight bodies) for documentation that was obtained from the other OIG during the external peer review, the OIG receiving the request shall not release or disseminate such documentation without consulting with the other OIG, and obtaining, if possible, the other OIG's disclosure recommendations. Depending on the nature of the request, the reviewing OIG may need to refer the requested/demanded documentation to the reviewed OIG for further processing. Additional details on the handling of such requests are provided in the Appendix.

Semiannual Reports to Congress

(Insert name of reviewed agency) OIG and (insert name of reviewing agency) OIG will report on this External Peer Review in their respective semiannual reports to Congress in accordance with 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, (insert name of reviewed agency) OIG will report on the external peer review conducted by (insert name of reviewing agency) OIG for the applicable semiannual reporting periods, and provide a list of any recommendations from prior peer review reports, and not from the letter of comment, that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete. (Insert name of reviewing agency) OIG shall report on this peer review for the applicable semiannual reporting periods, and include a list of any outstanding recommendations from prior peer review reports, and not from the letter of comment, that remain outstanding or have not been fully implemented. In this regard, (insert name of reviewed agency) OIG will coordinate with (insert name of reviewing agency) OIG as necessary so that (insert name of reviewing agency) OIG can meet this reporting responsibility.

The undersigned are in agreement with the conditions contained in this MOU.

Inspector General
(Agency Name)

Date _____

Inspector General
(Agency Name)

Date _____

Appendix

Additional Information Related to Disposition of Review Documentation

In the case of requests or legal demands received by the **reviewing OIG** for the External 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 and will obtain the reviewed OIG's disclosure recommendations and legal basis relative to such information, provided however, 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 External 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 OIGs, 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 or (b) communicate with the oversight body regarding the requested documentation.

In the case of requests or legal demands received by the **reviewed** OIG for External 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 that it had provided to the reviewing OIG, the reviewed OIG shall be given access, upon its request, to the documentation and may review and/or copy the documentation (or, if agreed upon by the parties, the reviewing OIG shall make copies of the documentation and provide those copies to the reviewed OIG).

49. Illustrative External Peer Review Report with a Rating of *Pass*

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General

(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

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

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

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

Use When the Scope of the Review Includes IPA Monitoring:

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

If Applicable, and a Letter of Comment is Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

If Applicable, and a Letter of Comment is not Already Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

50. Illustrative 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 OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General" and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

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

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

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

51. Illustrative 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 OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General" and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

We noted the following deficiencies during our review.

1. Deficiency – We identified errors in XX of the XX audit reports examined that limited the reliability of the reports. These XX audits 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 6 months later. Therefore, the audit report finding was inaccurate and the recommendation was not applicable. Although an independent referencing step in the guide called for validation of the finding's criteria, we were informed that this step was not performed due to time constraints.

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

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

2. Deficiency – (Describe)

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

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

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

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

(Note: A letter of comment should not be prepared when an External Peer Review rating of pass with deficiencies is issued where all of the findings are considered deficiencies and impacted the rating.)

Use When the Scope of the Review Includes IPA Monitoring

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

If Applicable, and a Letter of Comment is Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

If Applicable, and a Letter of Comment is not Already Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX, and semiannual reporting periods (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

52. Illustrative External Peer Review Report with a 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 OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General" and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

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

We noted the following deficiencies during our review.

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

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

Views of Responsible Official. Agree.

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

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

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

53. Illustrative External Peer Review Report with a Rating of *Fail*

(OIG Letterhead)

System Review Report

(Date)

To (Name), Inspector General

(Name of Agency)

We have reviewed the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General" and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed 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 audits disclosed errors in XX of the XX audit reports reviewed. These XX audit reports were issued by all XX of the audit divisions reviewed. We believe that these errors had not been precluded or detected in a timely manner due to 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, nor did the audit documentation reflect the performance of any such tests. Our discussions with audit management and assigned staff disclosed that they interpreted program compliance issues to be internal control weaknesses, and thus formalized testing was not needed. We attributed the report's misstatements to a lack of formalized policies and procedures requiring an independent quality control process for each audit.

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

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

2. Deficiency – (Describe)

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

In our opinion, as a result of the significant deficiencies described above, the system of quality control for the audit organization of (reviewed OIG) in effect for the year ended March 31, 20XX, was not suitably designed and complied with to provide (reviewed OIG) with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. (Reviewed OIG) has received an External Peer Review rating of *fail*.

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

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

Use When the Scope of the Review Includes IPA Monitoring

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

opinion and accordingly, we do not express an opinion, on (reviewed OIG)'s monitoring of work performed by IPAs.

If Applicable, and a Letter of Comment is Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

If Applicable, and a Letter of Comment is not Already Issued with the System Review Report: *(immediately follows the last sentence in the IPA monitoring scope paragraph)*

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

/s/

(Name), Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

54. Illustrative External Peer Review Report with a 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 OIG) in effect for the year ended March 31, 20XX. A system of quality control encompasses (the reviewed OIG)'s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (if desired, add a footnote with "GAS is issued by the Comptroller General" and date). The elements of quality control are described in *Government Auditing Standards*. (Reviewed OIG) is responsible for establishing and maintaining a system of quality control that is designed to provide (reviewed OIG) with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and (reviewed OIG)'s compliance therewith based on our review.

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

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

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

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

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

We noted the following significant deficiencies during our review.

1. Deficiency – (Reviewed 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 audits disclosed errors in XX of the XX audit reports reviewed. These XX audit reports were issued by all XX of the audit divisions reviewed. We believe that these errors had not been precluded or detected in a timely manner due to 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, nor did the audit documentation reflect the performance of any such tests. Our discussions with audit management and assigned staff disclosed that they interpreted program compliance issues to be internal control weaknesses, and thus formalized testing was not needed. We attributed the report’s misstatements to a lack of formalized policies and procedures requiring an independent quality control process for each audit.
 - Report No. XX, “Title” (Date) (Describe error).

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

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

2. Deficiency – (Describe)

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

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

/s/

(Name), Inspector General
Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with (reviewed OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of X of XX audit reports issued during the period April 1, 20XX, through March 31, 20XX (identify the time period used to select the audits). We also reviewed the internal quality control reviews performed by (reviewed OIG).

In addition, we reviewed (reviewed OIG)'s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 20XX, through March 31, 20XX. During the period, (reviewed OIG) contracted for the audit of its agency's fiscal year 20XX financial statements. (Reviewed OIG) also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

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

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

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

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

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

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

Finding 1. Independence – Required Checklist Not Completed

For every audit, the OIG audit organization’s quality control policies and procedures require each member of the audit team to complete a checklist designed to help identify personal and external impairments to independence and document compliance with the *Government Auditing Standards* independence requirements (if desired, add a footnote with “GAS is issued by the Comptroller General” and date). These checklists were not completed on 3 of 10 audits reviewed. Based on discussions with the members of the audit teams involved, we concluded that no actual impairments existed.

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

Views of Responsible Official. Agree.

Finding 2. Audit Performance – Timely Supervisory Review of Work

The OIG’s policies and procedures require that supervisors be involved and review work on an ongoing basis throughout the audit. On 4 of 10 audits reviewed, the supervisory review of the work occurred at the end of the audit. According to the supervisors involved, this occurred because other ongoing audits, which had higher priority at the time, demanded 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 Scope of 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 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 audit organization's policies and procedures require for all contracted audits, 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 (agency name) fiscal year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one was not obtained. While the staff subsequently obtained a copy which showed that the IPA received a peer review rating of pass, this should have been done as part of the monitoring of the contracted work not after the fact in case there were issues raised with the IPA's past audit work that may have impacted the scope of the monitoring activities.

Recommendation – 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

56. Illustrative Transmittal Memo for the External Peer Review Discussion Draft

(Name)

Assistant Inspector General for Audit

(Name of Department or Agency)

(Address)

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

Dear (Name of Assistant Inspector General for Audit):

Attached is the discussion draft of the External Peer Review Report of the (Name of Department or Agency's) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the 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)

Assistant Inspector General for Audit

Attachment

57. Illustrative Transmittal Memo for the External Peer Review Formal Draft

(Name)

Assistant Inspector General for Audit

(Name of Department or Agency)

(Address)

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

Dear (Name of Assistant Inspector General):

Attached is the formal draft of the External Peer Review Report of the (Name of Department or Agency) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. This review was discussed with you and members of your staff on (date). Based on comments at the exit conference, we made (substantive or minor) revisions to the report (if applicable).

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

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

(Name)

Assistant Inspector General for Audit

Attachment

58. Illustrative Transmittal Memo for the External Peer Review Final Report

(Name)²⁴

Inspector General

(Name of Department or Agency)

(Address)

Subject: External Peer Review Report on the (Name of Department or Agency) Office of Inspector General
Audit Organization

Dear (Name of Inspector General):

Attached is the External Peer Review Report of the (Name of Department or Agency) Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. Your response to the draft report is included as Enclosure 2 with excerpts and our position incorporated into the relevant sections of the report.

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

(Name)

Inspector General

Attachment

²⁴ The term “Honorable” should be used to address the IGs who are appointed by the President and confirmed by the Senate. Address all others using “Mr.”, “Ms.”, or other forms preferred by the recipient.

Section 3

Guide for Conducting the Modified Peer Review

Preface

1. This section is new to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* and presents guidance for conducting a Modified Peer Review. The Modified Peer Review is applicable to an Office of Inspector General (OIG) whose work conducted during the 3-year-period since the prior peer review did not include audits and attestation engagements performed in accordance with generally accepted government auditing standards (GAGAS). The OIG may, nevertheless, maintain audit policies and procedures in anticipation of performing such work. Moreover, the OIG may have elected to perform other types of work in its oversight role of its agencies in accordance with its authorities under the Inspector General Act of 1978, as amended, 5 U.S.C. Appendix 3 (IG Act). It is the view of the CIGIE Audit Committee that it would be useful for such an OIG to be subject to a peer review process to help ensure that its audit policies and procedures, if established, are current and consistent with professional standards. The guidance contained in this section is not intended to supplant the peer review team's professional judgment as to the approach to take or the specific procedures that need to be performed.

General Considerations

Definitions

2. The following terms are used throughout this section and the appendices:
 - **Audits.** For the purpose of providing guidance on the peer reviews, the term “audits”, when used alone, pertains to both audits and attestation engagements performed in accordance with GAGAS.
 - **Independent Public Accountant (IPA) Monitoring.** IPA monitoring consists of activities by the reviewed OIG to contract for and monitor audit and attestation work performed by an IPA firm where the IPA served as the auditor. The IG Act requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors.²⁵ The Act also requires OIGs to ensure that the work of non-Federal auditors adheres to GAGAS.²⁶ IPA monitoring conducted by an OIG is not an audit, and GAGAS does not prescribe standards for IPA monitoring.

²⁵ Section 4(b)(1)(B) of the IG Act

²⁶ Ibid., section 4(b)(1)(C)

Objective of the Modified Peer Review

3. A Modified Peer Review is applicable to an OIG whose work conducted during the 3-year period since the prior peer review did not include audits and attestation engagements in accordance with GAGAS. The objective of the Modified Peer Review is to determine whether the reviewed OIG's established policies and procedures for the audit function are current and consistent with applicable professional standards. The scope of the Modified Peer Review should also include IPA monitoring activities if IPAs were engaged by the reviewed OIG to perform audits and attestation engagements. Some OIGs do not maintain audit policies and procedures because the OIG did not and does not intend to perform GAGAS audits. Not having policies and procedures should not be considered to be a weakness, and in this case, the scope of the Modified Peer Review should only be of the IPA monitoring activities.

Responsibilities and Characteristics of the Modified Peer Review Team

4. The peer review team should exercise professional judgment in all matters relating to planning, performing, and reporting the results of the Modified Peer Review. Nothing in this section should be construed to limit the flexibility of the peer review team in planning and performing the peer review.
5. The peer review team should be led by a team captain with sufficient expertise with GAGAS and who reports to an individual or a level within the reviewing OIG that will ensure independence and objectivity in performing the Modified Peer Review. The team captain should ensure the proper supervision of the staff.
6. The peer review team should have knowledge related to performing peer reviews. The team should collectively have sufficient knowledge of how to perform a Modified Peer Review. The individuals managing and conducting the peer review should have experience and a thorough knowledge of applicable professional standards, and of the environment relative to the work being performed to ensure a quality review. Having team members with prior experience on peer reviews or an internal quality assurance review is desirable but not required.
7. The OIG conducting the Modified Peer Review and individual peer review team members should be independent (as defined in GAGAS) of the OIG being reviewed, its staff, and the IPA monitoring activities selected for the peer review. The team should use the GAGAS conceptual framework for independence to identify threats and apply safeguards to the Modified Peer Review.
8. The number of staff assigned to the Modified Peer Review team depends on several factors, including, but not limited to, the size and geographic dispersion of the reviewed OIG, and the nature and extent of its IPA monitoring universe. The peer review team should be adequately staffed to complete the review in a timely manner and should have the appropriate experience such as IPA monitoring. Members of the peer review team can be from one OIG or several OIGs as an ad-hoc team.

Planning and Performing the Modified Peer Review

Initiation of the Modified Peer Review and Administrative Matters

9. When the reviewed OIG's work in the 3 years since the last peer review did not include GAGAS engagements, the reviewed OIG will need to obtain a Modified Peer Review report. The reviewed OIG makes informal contacts with the reviewing OIG early in the process, and such contact is encouraged to ensure that the reviewed OIG obtains the Modified Peer Review report within the time frame required by CIGIE. Such contact also helps the reviewing OIG in planning the Modified Peer Review and discussing any special circumstances surrounding the peer review. The peer review schedule is maintained by the CIGIE Audit Committee. The peer review schedule identifies, among other things, the OIGs scheduled for a peer review and the OIGs scheduled to perform the peer review, the peer review report scope (i.e., the period to be covered by the peer review), and due dates, and is categorized by the OIG audit staff size. After such contact is made, the reviewing OIG should forward an engagement letter to the reviewed OIG announcing the initiation of the Modified Peer Review and requesting a formal entrance conference. The engagement letter should also contain a request that the information in paragraph 17 of this section be provided at or before the entrance conference. Sufficient time should be given to the reviewed OIG to compile the information.
10. An entrance conference should be held to bring the parties together, establish the ground rules of the Modified Peer Review, and facilitate conducting the review. At that time, the reviewed OIG management should brief the peer review team on organizational issues and work practices (e.g., roles and responsibilities of the OIG related to audits and other matters); established audit policies and procedures; the level of security clearance/access needed; and any training that may be required before the peer review to facilitate preparation and planning. The proposed elements of the suggested memorandum of understanding (MOU) at paragraph 18 should also be discussed.
11. Adequate work space should be provided for the peer review team.
12. If travel is necessary to accomplish the objectives of the Modified Peer Review, the reviewing OIG should pay its own travel expenses. If the team is made up of members of different OIGs, the team members' respective OIG should pay their travel expenses.
13. The peer review team should maintain administrative records of the staff days and calendar days taken to complete the Modified Peer Review, as well as travel and other costs incurred. These records should be retained as part of the peer review documentation so that they are available to the next peer review team for its planning purposes.

Scope of the Modified Peer Review

14. The scope of the Modified Peer Review is based on the period covered by the prior peer review (whether it was an External Peer Review or a Modified Peer Review). The peer review schedule is maintained by the CIGIE Audit Committee. Specifically, the current peer review will cover the year-end that is 3 years from the year-end covered by the prior peer

review. For example, if the prior peer review period end date was March 31, 2011, then the current peer review covers the period ending March 31, 2014. The due date for the Modified Peer Review report is 6 months from the period end date covered by the peer review. Following this example, the due date for the Modified Peer Review report is September 30, 2014. Approval of extensions to the due date exceeding 3 months beyond the routine 6-month due date must be obtained by the reviewed OIG from the CIGIE Audit Committee.

15. CIGIE recognizes that the policies and procedures may vary among OIGs and that some OIGs may not have adopted policies and procedures for the audit function if they do not (or do not plan to) perform audits in accordance with GAGAS in their oversight role of their agency. Additionally, policies and procedures, if adopted, depend on a number of factors, such as the OIG's size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its agency's work, and cost-benefit considerations. If the OIG does not maintain audit policies and procedures because the OIG does not (or does not intend to) conduct audits, this should not be reported as a weakness but should be noted as part of the Modified Peer Review documentation in Appendix A and discussed in the Modified Peer Review report.
16. Whether the reviewed OIG maintains audit policies and procedures, the scope of the Modified Peer Review should also include a review of the OIG's monitoring of audits contracted to IPAs where the IPA serves as the auditor. IPA monitoring activities are not audits performed in accordance with GAGAS. However, audit work performed by IPAs may be significant in many OIGs. Also, OIGs have responsibility under the IG Act to ensure contracted IPA audit work conforms to GAGAS. Accordingly, the CIGIE Audit Committee determined that it is prudent to give this area appropriate coverage as part of the Modified Peer Review. The focus of the review on IPA monitoring activities will be on contracting and monitoring practices to ensure that contracted work complies with professional standards. Weaknesses found with IPA monitoring activities are to be reported in the letter of comment or similar written document.

Planning/Pre-Site Visit

17. The following steps should be performed prior to the entrance conference to obtain an understanding of the reviewed OIG and to determine the nature and extent of the Modified Peer Review and the type of IPA monitoring activities to select for review by the team:
 - a. **Audit Policies and Procedures.** The review team should request the reviewed OIG to complete Section 1 of Appendix A, *Policies and Procedures*, and provide references to and a copy of its policies and procedures. If the reviewed OIG did not establish policies and procedures for the audit function, it should indicate such information in Appendix A and the reviewing OIG should only review the IPA monitoring activities as part of the Modified Peer Review.
 - b. **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 Modified Peer Review. The semiannual reports provide information regarding the nature and volume of completed work as well as other matters

that may help the review team understand the environment in which the reviewed OIG operates. The reports should also serve as a source for selecting for review, individual IPA monitoring activities on audits and attestation engagements where the IPA was contracted to be the auditor.

- c. **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 review documentation. 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. The 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.
- d. **Other Documentation.** The review team should obtain other documentation it deems necessary to conduct the review including but not limited to the current annual work plan(s), or a similar document, if applicable; a printout of the assignment tracking system of the specific information needed such as the types of reviews scheduled and completed during the period; an organization chart; a staff roster, including series, grades, and professional designations; and other materials needed. If readily available, the team should obtain information regarding the staff's advanced degrees or special skills or request as needed after the IPA monitoring projects have been selected.

Memorandum of Understanding

18. An MOU is recommended to ensure mutual agreement regarding the fundamental aspects of the Modified Peer Review and to avoid any misunderstandings. The MOU 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 at paragraph 35 for the team to use and modify, as appropriate, to fit the circumstances of the review. The MOU typically covers the following topics:

- a. **Scope of the Review.** See the paragraphs 14 to 16 of this Section.
- b. **Staffing and Timeframe.** The review should be scheduled and conducted to ensure a report is issued within 6 months of the end date of the period to be reviewed.
- c. **Preliminary Findings.** The MOU provides for timely interim discussion of preliminary findings. A commitment to open and ongoing communication between the parties is important to ensure that the review is conducted in an efficient manner.
- d. **Reporting Results.** The MOU establishes the guidelines for the reporting process, specifically:
 - Designating the report's addressee and signer (e.g., draft issued to and from the respective Assistant Inspectors General for Audit or equivalent and final report issued to and from the Inspectors General);
 - Providing a discussion draft report and formal draft report for the official response;

- Scheduling the exit conference;
 - Designating a time period for responses to the applicable draft reports; and
 - Issuing the final report.
- e. **Administrative Matters.** Other topics may be covered, as needed or considered appropriate including: the points of contact, purpose and objective of the Modified Peer Review, review approach, handling of sensitive information or clearances required, and logistics and facilities access. When preparing the MOU, the parties should take care not to limit, in any way, the review team's ability to conduct the work necessary to accomplish the objective of the review.
- f. **Request for Peer Review Documentation.** Include an appendix in the MOU to cover the instructions for the request for peer review documentation resulting from Freedom of Information Act and other legal demands and requests.

Conducting the Modified Peer Review

19. The review team should perform a risk assessment to help plan the review and determine the extent of the work needed to review policies and procedures and to evaluate the reviewed OIG's IPA monitoring activities. In assessing risk, the review team should consider the information gathered and analyzed in paragraph 17.
20. Documentation should be prepared to support the work performed and the conclusions reached during the Modified Peer Review, including evidence of supervision.
21. The reviewing OIG should retain the Modified 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 peer review team with access to the documentation, as requested. The reviewing OIG should apply the same custody and physical and electronic security practices on the peer review documentation that it requires of its other work documentation. These policies should include safeguards against unauthorized use or access to the documentation.
22. Evaluate the reviewed OIG's established policies and procedures for its audit function to determine if the policies and procedures are current and consistent with applicable professional standards. Appendix A²⁷ should be used to guide the review and should be modified as needed. Based on a review and evaluation of policies and procedures, supplemented as necessary by an inquiry of management, the review team should complete Section 2 of Appendix A. In its analysis to determine whether, in the reviewer's opinion, the reviewed OIG's quality control policies and procedures are current and consistent with applicable professional standards as described, the peer review team should:
- a. Gain an understanding of the reviewed OIG's work performed during the period under review, including the professional standards followed.

²⁷ The checklist is available on the CIGIE website at <http://www.ignet.gov/pande/audit1.html>.

- b. Evaluate, if applicable, the reviewed OIG's established policies and procedures to determine if the policies and procedures are current and consistent with applicable professional standards. If the reviewed OIG established and maintained audit policies and procedures, the checklist at Appendix A should be used to guide the review, and should be modified as needed.
 - c. Policies and procedures are current and relevant if they are periodically updated and they describe the applicable professional standards the reviewed OIG intends to follow for the audit function.
23. Gain an understanding as to the extent the reviewed OIG uses contracted IPAs to perform audits and attestation engagements and the policies and procedures for monitoring the IPAs' GAGAS work. Based on the risk assessment, the team should select a representative cross-section of audits and attestation engagements contracted to IPAs where the IPA served as the auditor. If the reviewed OIG contracted the financial statements audit for its agency, the financial statements audit should be included in the sample. In selecting other IPA monitoring audits and attestation engagements for review, the review team should consider the following to ensure a cross-section of the contracted work:
- a. Audits and attestation engagement described in the reviewed OIG's semiannual reports to Congress that were conducted by IPAs.
 - b. The degree of centralized controls in place.
 - c. The number of OIG offices.
 - d. Findings and comments from any prior peer review reports.
24. Review IPA monitoring documentation for contracted audits and attestation engagements selected, emphasizing the reviewed OIG's monitoring activities to ensure the IPA's adherence to professional standards. Appendix F should be used to guide the review, and should be modified as needed.²⁸ It is important to note that the review of the OIG's IPA monitoring activities does not entail visiting the IPA or reviewing the IPA's audit documentation.

Identifying Findings and Recommendations

25. 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 and careful consideration is needed to form conclusions.
26. After completing the checklists at Appendices A and F for the Modified Peer Review, findings should be developed, if appropriate. The review team should:

²⁸ The checklist is available on the CIGIE website at <http://www.ignet.gov/pande/audit1.html> and contains additional information about the various degrees of responsibility that an OIG may assume in connection with an IPA's work,

- a. Summarize the checklist's results and assess whether policies and procedures are current and consistent with applicable professional standards.
- b. Identify findings and any other matters that warrant disclosure to the OIG's management, including any deficiencies noted in its IPA monitoring activities for inclusion in a letter of comment or a separate written communication.

Reporting the Modified Peer Review Results

General Considerations

27. The process for reporting should be discussed and subsequently agreed to by the OIGs, in the MOU, before the start of the review. The process should provide for the reviewed OIG to comment on the draft reports 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 should include the comments as part of the final report. Sample documents are included as illustrative materials at paragraphs 36 to 42 and should be modified to fit the circumstances of the findings and recommendations.
28. A written report should be issued at the completion of the Modified Peer Review. The 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 OIG does not have audit policies and procedures, the report should state that the OIG did not establish audit policies and procedures and include the reviewed OIG's reason for choosing to not have policies and procedures. The report should also describe the scope of work related to the reviewed OIG's IPA monitoring activities where the OIG contracted with IPAs to perform audits and/or attestation engagements as the auditor. Written comments for each recommendation should be obtained from the reviewed OIG's management, describing the corrective actions already taken and/or target dates for prospective corrective actions. For the Modified Peer Review report, approval of extensions to the due date exceeding 3 months beyond the due date must be obtained by the reviewed OIG from the CIGIE Audit Committee. Illustrative reports are included at paragraphs 36 and 38, depending on whether the OIG chose to have audit policies and procedures.
29. Findings not sufficiently significant to be included in the Modified Peer Review report should be included in a letter of comment or separate written communication. This separate written communication should also include any findings noted with IPA monitoring activities.

Modified Peer Review Report Contents

30. The written report should:
 - a. State at the top of the report the title "Modified Peer Review Report."
 - b. State that the OIG's policies and procedures for the audit function were reviewed and the date covered, or that the OIG had no such procedures and include the reviewed OIG's reason(s) for choosing to not have policies and procedures.

- c. State that the Modified Peer Review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.
- d. State that the reviewed OIG is responsible for establishing and maintaining policies and procedures for the audit function, including the process for monitoring the work of IPAs.
- e. State that the reviewer's responsibility is to assess whether policies and procedures submitted for review were current and consistent with applicable professional standards.
- f. Describe the objective, scope, limitations of, and procedures performed in the Modified Peer Review.
- g. As applicable, include in the scope the work related to IPA monitoring activities where the IPA was engaged as the auditor. Include a listing of the IPA monitoring projects reviewed and, if applicable, the OIG offices visited.
- h. Include material findings related to policies and procedures in the report and the reviewed OIG's official response to any findings and recommendations as an enclosure to the report.
- i. If applicable, include a reference to the letter of comment or a separate written communication, if one is issued to report (1) findings related to policies and procedures that are not material to be included in the report but needed to be brought to the attention of the reviewed OIG's management, or (2) findings on IPA monitoring activities.

Letter of Comment

31. A letter of comment or separate written communication should be issued in connection with the Modified Peer Review report for any findings noted with policies and procedures that are not material to be included in the report and/or with 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. Written comments should be obtained from the reviewed OIG on these findings and recommendations and be included as part of the letter of comment. Illustrative letters of comment are included at paragraphs 37 and 39, depending on whether the OIG chose to have audit policies and procedures.

Views of Responsible Officials

32. To ensure the objectivity, accuracy, and completeness of the findings, the review team should obtain the views of responsible officials of the reviewed OIG. When deficiencies are found during the review, the team should discuss the issues with senior audit management and staff or with the responsible official(s) designated by the reviewed OIG. All preliminary draft findings and conclusions must be presented during the review to the official(s) designated by the reviewed OIG to avoid any misunderstandings and to help ensure that all material facts are considered before a draft report is prepared. These disclosures may be conveyed informally, but should be in writing, to facilitate agreement regarding the conditions noted. Upon issuance of the discussion draft report, an exit conference should be held, modifications should be made to the report as necessary, and then a formal draft report

should be sent 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.

Report Distribution and Follow-Up

33. The reviewed OIG should make its most recent Modified Peer Review report publicly available and provide a copy of the report to the head of its agency, appropriate oversight bodies, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee. In addition to transparency through website posting and to those charged with governance, the OIG is required to include in its semiannual reports to Congress a discussion of the results from the Modified Peer Review report conducted by another OIG, and any outstanding recommendations from past peer review reports. These requirements do not include the letter of comment.
34. The reviewed OIG is responsible for implementing recommendations in the Modified Peer Review report. A follow-up on implemented recommendations should be included in the scope of the reviewed OIG's next peer review.

Illustrative Materials

35. Illustrative Modified Peer Review Memorandum of Understanding

**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 (insert name of reviewing agency) Office of Inspector General (OIG) and the (insert name of reviewed agency) OIG regarding the fundamental aspects of the Modified Peer Review of (insert name of reviewed agency) OIG audit organization policies and procedures. The parties listed in the MOU entered into this agreement pursuant to the authority of 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 (insert name of agency) OIG Review Team

The review team captain is (name and title). The team members will collectively have sufficient knowledge to perform the peer review. To the extent feasible, the team includes personnel with prior experience on 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 Modified Peer Review is to determine whether (insert name of reviewed agency) OIG's established policies and procedures, if any, for the audit function were current and consistent with professional standards. As applicable, the review will also include controls over monitoring of contracted audits performed by Independent Public Accountants (IPAs), where the IPA serves as the auditor.

Review Approach

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General (include year if desired)* will be used in the conduct of the review. As set forth by CIGIE, the approach will be to:

- Gain an understanding of (insert name of reviewed agency) OIG, and if applicable, established policies and procedures for the audit function.
- If appropriate, evaluate whether (insert name of reviewed agency) OIG's policies and procedures are current and consistent with applicable professional standards.
- Gain an understanding as to the extent (insert name of reviewed agency) OIG uses contracted IPAs to perform audits and attestation engagements where the IPA is the auditor, and the policies and procedures for monitoring of IPA work.
- Review (insert name of reviewed agency) OIG's IPA monitoring documentation for a sample of contracted audits and attestation engagements, emphasizing the monitoring activities to ensure the IPAs' adherence to professional standards.
- Maintain open communication with (insert name of reviewed agency) OIG to ensure an understanding of the issues evaluated and an awareness of potential issues as they arise.

During the Modified Peer Review, the team will exercise professional judgment in all matters relating to planning, performing, and reporting the results of the review.

Scope of the Modified Peer Review

The scope of the Modified Peer Review will cover any established audit policies and procedures of the (insert name of reviewed agency) OIG that are designed to provide it with reasonable assurance that audits and attestation engagements anticipated to be conducted by the OIG will be carried out in accordance with applicable professional standards. If appropriate, the scope will also include the monitoring activities of the IPAs for which the OIG directly contracted to perform audits and attestation engagements to ensure the IPAs' adherence to professional standards. The review team may review other documentation as it deems necessary

Administration

(Insert 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 (insert name of reviewed agency) OIG's personnel. (Insert 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):

- Preliminary work to be completed, October 2014.
- Entrance conference, November 2014.
- Fieldwork to be completed, January 2015.
- Discussion draft report transmitted to (insert name of reviewed agency) OIG's Assistant Inspector General for Audit (AIGA), January 2015.
- Exit conference and submission of any unofficial comments, February 2015.
- Formal draft report transmitted to (insert name of reviewed agency) OIG's AIGA, February 2015.
- Formal written response from (insert name of reviewed agency) OIG's AIGA, March 2015.
- Final report issued to (insert name of reviewed agency)'s Inspector General, March 2015.

Reporting

After fieldwork is completed, (insert name of reviewing agency) OIG's AIGA will issue a discussion draft report to (insert name of reviewed agency) OIG's AIGA providing preliminary results of the Modified Peer Review. (Insert name of reviewing agency) OIG will then arrange and hold an exit conference. The purpose of the exit conference is to discuss the results of the review. (Insert name of reviewed agency) OIG will provide informal comments on the discussion draft at the exit conference. (Insert name of reviewing agency) OIG's AIGA will issue a formal draft report to (insert name of reviewed agency) OIG's AIGA. (Insert 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 (insert name of reviewing agency) Inspector General and issued to the (insert name of reviewed agency) Inspector General. The report will be prepared in accordance with the CIGIE *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. (Insert name of reviewed agency) OIG will be responsible for distributing the report in accordance with the CIGIE guidelines. (Insert name of reviewing agency) OIG will refer any third party requests for the report to (insert 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. (Insert name of reviewing agency) OIG shall keep this documentation until a subsequent peer review is performed of (insert name of reviewed agency) OIG and shall provide the documentation to the subsequent reviewing OIG. (Insert 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 (e.g., Freedom of Information Act requests, litigation [discovery] demands, or requests from oversight bodies) for documentation that was obtained from the other OIG during the Modified Peer Review, the OIG receiving the request shall not release or disseminate such documentation without consulting with the other OIG, and obtaining, if possible, the other OIG's disclosure recommendations. Depending on the nature of the request, the reviewing OIG may need to refer the requested/demanded documentation to the reviewed OIG for further processing. Additional details on the handling of such requests are provided in the Appendix.

Semiannual Reports to Congress

(Insert name of reviewed agency) OIG and (insert name of reviewing agency) OIG will report on this Modified Peer Review in their respective semiannual reports to Congress in accordance with 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, (insert name of reviewed agency) OIG will report on the Modified Peer Review conducted by (insert name of reviewing agency) OIG for the applicable semiannual reporting periods, and provide a list of any outstanding recommendations from prior peer review reports, and not from

letter of comment, that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete. (Insert name of reviewing agency) OIG shall report on this peer review for the applicable semiannual reporting periods, and include a list of any outstanding recommendations from prior peer review reports, and not from the letter of comment, that remain outstanding or have not been fully implemented. In this regard, (insert name of reviewed agency) OIG will coordinate with (insert name of reviewing agency) OIG as necessary so that (insert name of reviewing agency) OIG can meet this reporting responsibility.

The undersigned are in agreement 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

In the case of requests or legal demands received by the **reviewing** OIG for the Modified 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 and will obtain the reviewed OIG's disclosure recommendations and legal basis relative to such information, provided however, 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 or (b) communicate with the oversight body regarding the requested documentation.

In the case of requests or legal demands received by the **reviewed** OIG for the Modified 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 that it had provided to the reviewing OIG, the reviewed OIG shall be given access, upon its request, to the documentation and may review and/or copy the documentation (or, if agreed upon by the parties, the reviewing OIG shall make copies of the documentation and provide those copies to the reviewed OIG).

36. Illustrative Modified Peer Review Report (with Audit Policies and Procedures)

(OIG Letterhead)

Modified Peer Review Report

(Date)

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

At the request of (reviewed Agency) Office of Inspector General (OIG), we reviewed established policies and procedures for the audit function of (reviewed Agency) OIG in effect at March 31, 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 "GAS is issued by the Comptroller General" and date). (Reviewed Agency) OIG is responsible for establishing and maintaining policies and procedures for the audit function. Our responsibility is to assess whether policies and procedures submitted for review were current and consistent with applicable professional standards.

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

(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 CIGIE related to (reviewed OIG)'s monitoring of audits and attestation engagements, collectively referred to as "audits", performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed OIG) had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on (reviewed OIG)'s monitoring of work performed by IPAs.

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

1. Washington, D.C.

2. Boston, MA
3. Project ABC123
4. Project XYZ987

Based on our review, the established policies and procedures for the audit function at March 31, 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.”}

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

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

Findings and Recommendations

Finding 1. Procedures for the Monitoring of Quality

(Reviewed OIG) audit policies and procedures do not include requirements for the monitoring of 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 of quality is an ongoing, periodic assessment of work completed on audits 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) OIG has not performed audits, including monitoring requirements policies and procedures will help ensure that when it performs audits 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.

/s/

(Name), Inspector General

Enclosures

37. Illustrative 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 OIG) in effect for the year ended March 31, 20XX, including monitoring of work conducted by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor, and have issued our report thereon dated September 30, 20XX, in which we determined that the OIG's policies and procedures for the audit function were current and consistent with applicable professional standards *{or were not current and consistent with 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 audits, 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 (agency name) fiscal year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one had not been obtained. While the staff subsequently obtained a copy which showed that the IPA had 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 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

Enclosures

38. Illustrative Modified Peer Review Report (No 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 “GAS is issued by the Comptroller General” and date). It is the prerogative 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. (Insert name of reviewing 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.

(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 the Audit Organizations of Federal Offices of Inspector General* related to the OIG’s monitoring of audits and attestation engagements, collectively referred to as “audits”, performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether (reviewed OIG) had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on (reviewed OIG)’s monitoring of work performed by IPAs.

During our review, we (1) obtained an understanding of the nature of the (reviewed Agency) OIG {*or OIG audit organization if one exists*} 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

(Use When a Letter of Comment Is Issued) As is customary, we have issued a letter dated (insert date) that sets forth findings related to the IPA monitoring process.

/s/

(Name), Inspector General

Enclosures

39. Illustrative Modified Peer Review Letter of Comment (No Audit Policies and Procedures)

(OIG Letterhead)

(Date)

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

We have reviewed (reviewed agency name) 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 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 audits, 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 (agency name) fiscal year 20XX financial statements did not contain a copy of the peer review report. Monitoring staff confirmed that one was not obtained. While the staff subsequently obtained a copy which showed that the IPA received a peer review rating of pass, this should have been done as part of the monitoring of the contracted work, not after the fact, in case there were issues raised with the IPA's past audit work that may have impacted the scope of the monitoring activities.

Recommendation – 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

Enclosures

40. Illustrative Transmittal Memo for the Modified Peer Review Discussion Draft

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

Subject: Modified Peer Review Discussion Draft Report on the (Name of Department or Agency's) Office of Inspector General

Dear (Name of Assistant Inspector General for Audit):

Attached is the discussion draft of the Modified Peer Review Report of the (Name of Department or Agency's) Office of Inspector General conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the 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 the exit conference.

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

(Name)
Assistant Inspector General for Audit

Attachment

41. Illustrative Transmittal Memo for the Modified Peer Review Formal Draft

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

Subject: Modified Peer Review Formal Draft Report on the (Name of Department or Agency's) Office of Inspector General

Dear (Name of Assistant Inspector General):

Attached is the formal draft of the Modified Peer Review Report of the (Name of Department or Agency's) Office of Inspector General conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. This review was discussed with you and members of your staff on (date). Based on comments at the exit conference, we made (substantive or minor) revisions to the report (if applicable).

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

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

(Name)
Assistant Inspector General for Audit

Attachment

42. Illustrative Transmittal Memo for the Modified Peer Review Final Report

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

Subject: 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 Modified Peer Review Report of the (Name of Department or Agency's) Office of Inspector General conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the 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

Attachment

Section 4

Participants in the Peer Review Guide Update Project 2014

Dr. Brett Baker, National Science Foundation OIG *Chair, Federal Audit Executive Committee*
Ashton Coleman, Department of Defense OIG
Solita Dallas, Naval Audit Service
Michelle Emigh, Department of Veterans Affairs OIG
Bradley Grubb, Peace Corps OIG
Tabitha Hart, Department of Justice OIG
Andrea Holmes, Securities and Exchange Commission OIG
Colleen McElwee, Department of the Treasury OIG
Valerie McMichael, Naval Audit Service
Katherine Moore, Amtrak OIG
Allan Reid, Department of Transportation OIG
Nancy Reuter, Naval Audit Service
Kieu Rubb, Department of the Treasury OIG
Allan Sherman, Federal Deposit Insurance Corporation OIG
Petra Swartzlander, Department of Transportation OIG
Nomi Taslitt, Special Inspector General for Afghanistan Reconstruction
Latesha Turner, Department of Justice OIG
Justin Walker, Department of the Treasury OIG
Catherine Walters, National Science Foundation OIG
Michael Wiley, Department of the Treasury OIG

Editor
Project Lead

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

Appendix A

Policies and Procedures

OIG UNDER REVIEW
& PERIOD REVIEWED

SECTION 1 PREPARER(S)

DATE COMPLETED

SECTION 2 PREPARER(S)

DATE COMPLETED

Purpose and Instructions

General

This appendix is designed to determine (1) the adequacy of the reviewed audit organization's policies and procedures, and (2) whether those policies and procedures, if properly adopted and implemented, would provide the reviewed audit organization with reasonable assurance of compliance with *Government Auditing Standards* (GAS), commonly referred to as generally accepted government auditing standards (GAGAS). This appendix is designed to satisfy the objectives of both the External Peer Review and the Modified Peer Review as detailed in the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* (Guide).

The Guide considers the reviewed audit organization's written policies and procedures, to include control measures to ensure compliance, to be a key characteristic of its system of quality control. Moreover, GAS, 3.82, states:

Each audit organization performing audits in accordance with GAGAS must: (a) establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and (b) have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years.

An audit organization's system of quality control encompasses the organization's leadership, emphasis on performing high-quality work, and its policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

For ease of use, each section and question in this appendix coincide with the applicable GAS chapters, sections, and paragraphs. The reviewed audit organization completes Section 1 at the beginning of the peer review and the review team completes Section 2 as part of its fieldwork.

Reviewed Audit Organization (Section 1)

Section 1 of this appendix is designed to obtain general information about your audit organization and its system of quality control. It requests specific information about your policies and procedures designed to ensure compliance with GAGAS. Respond to the questions in Section 1 by providing specific references to and a copy of your policies and procedures. Also indicate in your response any relevant checklists or forms your organization requires, and provide copies. If you have an audit manual or similar document, your answers should be cross-referenced to the applicable sections and any other supplemental documents as appropriate. References should be as detailed as possible to facilitate the peer review team's efforts.

If you conducted GAGAS audits and attestation engagements, collectively referred to as "audits," in the 3 years since the last peer review and do not have written policies and procedures corresponding to the questions, annotate in Section 1 that you do not have policies and procedures in place and then describe

the adopted practices used and how you ensure all audit staff are cognizant of these practices. In answering these questions, it is important to describe any control procedures your organization has in place to ensure that activities stated in your policies are actually performed as intended.

If you did not perform GAGAS audits in the 3 years since your last peer review and you did not establish policies and procedures for the audit function because you elected to perform evaluations, inspections, and other non-GAGAS reviews of your Agency, then answer “Not Applicable” in Section 1 at the end of Question 2 and provide an explanation to that effect.

If applicable, policies, procedures, and related documentation with the completed Section 1 responses should be provided to the review team captain before the site visit begins.

Peer Review Team (Section 2)

The work to be done on the established policies and procedures by the peer review team is different under each type of peer review. The descriptions below describe the general techniques used for the External Peer Review and the Modified Peer Review:

External Peer Review

For the External Peer Review, the review team examines and evaluates the established policies and procedures obtained from, and/or practices described by, the reviewed audit organization for adequacy of design when conducting an External Peer Review.

In an External Peer Review, a conclusion should be reached regarding the adequacy of established policies and procedures in terms of whether they, if properly fulfilled, would provide the reviewed audit organization with reasonable assurance that GAGAS would be met. To facilitate the review, references to the pertinent GAS paragraphs are included; for additional information, the reviewer should refer directly to GAS. Emphasis should be placed on the qualitative nature of the guidance and the adequacy of control measures that would foster such assurance. The policies and procedures that establish internal guidance and audit requirements represent a key primary characteristic of the overall system of quality control; accordingly, the level of assurance afforded needs to be assessed. Record in Section 2 of this appendix the conclusion of “Adequate” or “Inadequate” as designed, or “Not Applicable.” A narrative explanation or cross-reference to an explanation supporting the determination should also be recorded. If the policies and procedures were found to be inadequate as prescribed, ask management how the standards will be met. While Appendix A assists the peer review team in determining the adequacy of policies and procedures, other appendices are used to determine the reviewed audit organization’s compliance with these policies and procedures and with GAGAS.

For the External Peer Review, the review team should test compliance with standards using the checklists in appendices B through E regardless of whether policies and procedures are adequate. It is important to note, however, that GAGAS represents the overarching criteria. If, for example, the reviewed audit organization’s policies and procedures encompassed more extensive requirements than those prescribed in GAGAS, a lack of compliance with the audit organization’s policies and procedures would not constitute a deficiency or significant deficiency for the purposes of this review (although it should be presented as a separate written finding in a letter of comment, or orally conveyed to the reviewed audit organization’s management, depending on the circumstances).

In addition, the absence of a particular policy does not, in and of itself, constitute a finding, but should be taken into consideration in concluding as to the adequacy of the system of quality control taken as a whole. While the checklist is comprehensive, the peer review team may, as appropriate, modify it to fit the nature, extent, and circumstances surrounding its review.

Modified Peer Review

For the Modified Peer Review, the team determines whether established policies and procedures are current and consistent with applicable professional standards. Record in Section 2 of this appendix the conclusion of “Adequate” or “Inadequate” as described, or “Not Applicable”. A narrative explanation or cross-reference to an explanation supporting the determination should also be recorded. If the policies and procedures were found to be inadequate as described, document the results and summarize the findings for the Modified Peer Review report and/or letter of comment. For the Modified Peer Review, Appendix A is needed for the review of audit policies and procedures and compliance with policies and procedures and GAGAS is not required, and therefore, other appendices are not needed.

If the OIG did not establish audit policies and procedures because it did not and does not intend to perform GAGAS audits, then the reviewed OIG should add an explanation for this, and the reviewing OIG should use Appendix A as documentation for that circumstance. Not having policies and procedures should not be considered to be a weakness and in this case.

Regardless of whether an External Peer Review or a Modified Peer Review is required, the scope of the peer review should include the activities carried out by the OIG on the work of independent public accountants (IPAs) hired to conduct GAGAS audits. In these circumstances, the reviewing OIG uses Appendix F to complete the review the IPA monitoring activities.

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
1. GOVERNMENT AUDITING: FOUNDATION AND ETHICAL PRINCIPLES 2. STANDARDS FOR USE AND APPLICATION OF GAGAS Any requirements related to Chapters 1 and 2 of GAS are incorporated in sections 3 through 7 of this document.		
3. GENERAL STANDARDS		
Independence		
3.1 What are your policies and procedures related to the audit organization, the audits, and the individual auditors to: <ul style="list-style-type: none"> a. Stress the importance of independence in mind and in appearance during the time period covered by (i) the financial statements or subject matter audit, or (ii) the professional engagement? (GAS, 3.02, 3.03, 3.05) b. Identify threats to independence? (GAS, 3.08a) c. Evaluate the significance of the threats identified, both individually and in the aggregate? (GAS, 3.08b, 3.20-3.22) d. Apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level? (GAS, 3.08c, 3.23) e. Document the safeguards applied to the identified potential threats to independence? (GAS, 3.24) f. Decline work because a significant threat to independence exists and safeguards cannot reduce or eliminate threats? (GAS, 3.25) 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>3.2 What are your policies and procedures for addressing the following broad categories of threats to independence? (GAS, 3.14)</p> <ul style="list-style-type: none"> a. Self-interest threat b. Self-review threat c. Bias threat d. Familiarity threat e. Undue influence threat f. Management participation threat g. Structural threat 		
<p>3.3 What are your policies and procedures for applying the appropriate safeguards to identified threats? Examples of safeguards include: (GAS, 3.08c, 3.16-3.17)</p> <ul style="list-style-type: none"> a. Consulting with professional organizations, regulatory bodies, or another auditor; b. Involving another audit organization to perform or re-perform part of the audit; c. Having a professional staff member who was not a member of the audit team review the work performed; and d. Removing an individual from an audit team when that individual's financial or other interests or relationships pose a threat to independence. 		
<p>3.4 What are your policies and procedures for evaluating the threat to independence when it is identified after the audit report is issued,</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>including: (GAS, 3.26)</p> <ul style="list-style-type: none"> a. Notifying entity management, those charged with governance, other known users, those on the distribution list, and if applicable, website users? b. Determining whether to conduct additional work needed to revise findings and recommendations if the threat's impact would have resulted in the auditor's report being different? 		
<p>3.5 What are your policies and procedures to identify, evaluate, and reduce or eliminate the threat to independence related to nonaudit services, including:</p> <ul style="list-style-type: none"> a. Determining, before agreeing to provide a nonaudit service, whether providing such service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, or with respect to any GAGAS audit performed? (GAS, 3.34) b. Obtaining management's assurance that management performs their management functions and assumes management responsibilities when auditors are performing nonaudit services for the entity for which they also perform audits? (GAS, 3.37) c. Establishing and documenting the auditor's understanding with the audited entity's management or those charged with governance the (1) objectives of the 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>nonaudit service, (2) services to be performed, (3) audited entity’s acceptance of its responsibilities, (4) auditor’s responsibilities, and (5) any limitations of the nonaudit service? (GAS, 3.39)</p> <p>d. Evaluating the impact of previously performed nonaudit services on the auditors’ independence on a prospective or current engagement and addressing any threats identified? (GAS, 3.42)</p> <p>e. Disclosing the nature of the threat to independence that could not be eliminated or reduced to an acceptable level, and modifying the GAGAS compliance statement? This situation applies to an auditor in a government entity that may be required to perform a nonaudit service as a result of constitutional or statutory requirements? (GAS, 3.44)</p>		
<p>3.6 What are your policies and procedures for documenting independence considerations, including: (GAS, 3.59)</p> <p>a. Threats to independence that require the application of safeguards, and safeguards applied, to reduce or eliminate such threats?</p> <p>b. If applicable per GAS, 3.30, other required safeguards if the audit organization is structurally located within a government entity and structural threats to independence are not mitigated by constitutional or statutory safeguards?</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>c. Consideration of the audited entity management's ability to effectively oversee nonaudit services to be provided by the audit organization/auditor?</p> <p>d. The auditor's understanding with the audited entity for which the auditor will perform nonaudit services?</p>		
Professional Judgment		
3.7 What are your policies and procedures to ensure that professional judgment is exercised in planning and performing the audit, and in reporting the results? (GAS, 3.60)		
Competence		
3.8 What are your policies and procedures to ensure that staff assigned to perform the audit collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS? Include references to your agency's process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce. (GAS, 3.69-3.70)		
3.9 What are your policies and procedures to ensure that staff assigned to conduct an audit under GAGAS collectively possess the technical knowledge, skills, and experience, including licensed certified public accountants, necessary to be competent for the type of work being performed before beginning work on that assignment?		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
(GAS, 3.72-3.75)		
3.10 What are your policies and procedures for ensuring that auditors and internal specialists performing work in accordance with GAGAS, including planning, directing, performing audit procedures, or reporting on a GAGAS audit, maintain their professional competence through continuing professional education and training requirements? (GAS, 3.76-3.78, 3.81)		
3.11 What are your policies and procedures to ensure that internal specialists consulting on and external specialists assisting in performing a GAGAS audit are qualified and competent in their areas of specialization? (GAS, 3.79-3.80)		
Quality Control and Assurance		
3.12 What are your policies and procedures to collectively address a system of quality control designed to provide reasonable assurance the organization and personnel comply with professional standards and applicable legal and regulatory requirements, including: (GAS, 3.82a, 3.83, 3.85-3.91) a. Leadership responsibilities for quality within the audit organization? b. Independence, legal, and ethical requirements? c. Initiation, acceptance, and continuance of the audits?		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
d. Human resources requirements? e. Audit performance, documentation, and reporting requirements? f. The monitoring of quality?		
3.13 How do you document your quality control policies and procedures, communicate them to staff, and document compliance with the policies and procedures? (GAS, 3.84)		
3.14 What are your policies and procedures for the safe custody and retention of audit documentation to satisfy legal, regulatory, and administrative requirements for records retention, and for addressing controls over accessing and updating electronic documentation? (GAS, 3.92)		
3.15 What are your policies and procedures for the monitoring of quality in the audit organization and to annually analyze and summarize the results of the monitoring process? (GAS, 3.93-3.95)		
3.16 What are your policies and procedures to ensure that your most recent peer review report is publicly available? (GAS, 3.105)		
4. STANDARDS FOR FINANCIAL AUDITS		
General		
4.1 What are your policies and procedures for directing staff to comply with the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
(SAS)? (GAS, 4.01)		
Planning		
4.2 What are your policies and procedures for auditor communication, including pertinent information to individuals contracting for or requesting the audit; to cognizant legislative committees when auditors perform the audit pursuant to a law or regulation, or they conduct the work for the legislative committee that has oversight of the audited entity; or to those charged with governance? (GAS, 4.03-4.04)		
4.3 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous financial audits? (GAS, 4.05)		
4.4 What are your policies and procedures for detecting material misstatements resulting from violations of laws and regulations, provisions of contracts or grant agreements, or from abuse? (GAS, 4.06-4.08)		
4.5 What are your policies and procedures for ensuring that auditors avoid interfering with investigations or legal proceedings while pursuing indications of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse? (GAS, 4.09)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Evidence and Documentation		
4.6 What are your policies and procedures for ensuring that auditors plan and perform procedures to develop the elements of the findings to achieve the audit objectives (criteria, condition, cause, and effect or potential effect)? (GAS, 4.10-4.14)		
4.7 What are your policies and procedures for: <ul style="list-style-type: none"> a. Documenting supervisory reviews, before the report release date, of the evidence supporting the findings, conclusions, and recommendations contained in the audit report? (GAS, 4.15a) b. Documenting departures from the GAGAS requirements and the impact on the audit and on the auditors' conclusion? (GAS, 4.15b) c. Providing other auditors with documentation in a timely manner when work is being used by other auditors? (GAS, 4.16) 		
Reporting Requirements		
4.8 What are your policies and procedures for citing compliance with GAGAS in financial audit reports? (GAS, 4.18)		
4.9 What are your policies and procedures for reporting on internal controls over financial reporting and on compliance with laws, regulations, and provisions of contracts or		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>grant agreements, including: (GAS, 4.19-4.22)</p> <p>a. A description of the scope of the auditors’ testing of internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements?</p> <p>b. When applicable, a statement in the report that the auditors are issuing additional reports relating to internal controls and compliance with laws, regulations, contracts, and grant agreements?</p>		
4.10 What are your policies and procedures for reporting deficiencies in internal controls identified as significant deficiencies or material weaknesses? (GAS, 4.23-4.24)		
4.11 What are your policies and procedures for reporting on fraud, abuse, and noncompliance with provisions of laws, regulations, contracts, and grant agreements? (GAS, 4.23, 4.25-4.27)		
4.12 What are your policies and procedures for developing and presenting findings to include the four elements (criteria, condition, cause, and effect or potential effect) in a report, including the nature and extent of the work performed and instances compared to the population? (GAS, 4.28-4.29)		
4.13 What are your policies and procedures for reporting findings of known or likely fraud;		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse, directly to parties outside the audited entity and obtaining confirmations from outside parties as needed? (GAS, 4.30-4.32)		
4.14 What are your policies and procedures for reporting views of responsible officials? (GAS, 4.33)		
4.15 What are your policies and procedures for reporting confidential and sensitive information? (GAS, 4.40-4.44)		
4.16 What are your policies and procedures for distributing audit reports? (GAS, 4.45)		
5. STANDARDS FOR ATTESTATION ENGAGEMENTS		
General and Reporting Standards for All Attestation Engagements		
5.1 What are your policies and procedures for directing staff to comply with the AICPA attestation standards? (GAS, 5.01)		
5.2 What are your policies and procedures for determining the type of attestation engagements to use and the applicable AICPA and GAGAS requirements and considerations? (GAS, 5.02)		
5.3 What are your policies and procedures for citing compliance with GAGAS in attestation reports when the work performed complies with both GAGAS and AICPA? (GAS, 5.19, 5.51, 5.61)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.4 What are your policies and procedures for reporting classified, confidential, and sensitive information and distributing attestation engagement reports? (GAS, 5.39, 5.43, 5.44, 5.52, 5.62)		
Additional Field Work Standards for Examination Engagements		
5.5 What are your policies and procedures for auditor communications, including pertinent information to individuals contracting for or requesting the examination engagement; to cognizant legislative committees when auditors perform the examination engagement pursuant to a law or regulation, or they conduct the work for the legislative committee that has oversight of the audited entity, or to those charged with governance? (GAS, 5.04-5.05)		
5.6 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter, or an assertion about the subject matter? (GAS, 5.06)		
5.7 What are your policies and procedures to ensure the auditors design the engagement to detect instances of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that may have a material effect on the subject matter or an assertion about the subject matter? (GAS,		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.07)		
5.8 What are your policies and procedures for applying procedures to ascertain the potential effect on the subject matter or an assertion about the subject matter when auditors become aware of abuse that could be significant to the objective of the examination engagement? (GAS, 5.09)		
5.9 What are your policies and procedures for ensuring that auditors avoid interfering with current investigations or legal proceedings while pursuing indications of fraud, violations with provisions of laws, regulations, contracts or grant agreements, or abuse? (GAS, 5.10)		
5.10 What are your policies and procedures for ensuring that auditors plan and perform procedures to develop the elements of the findings to achieve the examination engagement objective (criteria, condition, cause, and effect or potential effect)? (GAS, 5.11-5.15)		
5.11 What are your policies and procedures for ensuring that the documentation exists and: (GAS, 5.16) a. Is in sufficient detail to provide an understanding of the work performed (including the nature, timing, extent, and results of procedures performed); the evidence obtained and its source; and the conclusions reached? (GAS, 5.16a)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<ul style="list-style-type: none"> b. Has evidence of supervisory reviews, before the report is issued, and that evidence supports the findings, conclusions, and recommendations in the report? (GAS, 5.16b) c. Includes discussions on any departures from the GAGAS requirements and the impact the departure has on the engagement and the auditors' conclusions? (GAS, 5.16c) 		
5.12 What are your policies and procedures to ensure auditors and documentation are made available to other auditors or reviewers in a timely manner, when work is being used by other auditors? (GAS, 5.17)		
Additional Reporting Standards for Examination Engagements		
5.13 What are your policies and procedures to ensure that auditors report on the following: (GAS, 5.20-5.24) <ul style="list-style-type: none"> a. Significant deficiencies and material weaknesses in internal control, including those communicated early? (GAS, 5.20, 5.22) b. Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance? (GAS, 5.20, 5.24a) c. Noncompliance with provisions of 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>contracts or grant agreements that have a material effect on the subject matter or an assertion about the subject matter of the examination engagement? (GAS, 5.20, 5.24b)</p> <p>d. Abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement? (GAS, 5.20, 5.24c)</p> <p>e. Making a reference to a separate report if or when the above items are reported separately? (GAS, 5.20, 5.21)</p>		
5.14 What are your policies and procedures for communicating instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the subject matter or an assertion about the subject matter but are less than material but warrant the attention of those charged with governance? (GAS, 5.25)		
5.15 What are your policies and procedures for developing and presenting the elements of a finding to include criteria, condition, cause, and effect or potential effect in a report? (GAS, 5.27-5.28)		
5.16 What are your policies and procedures for reporting known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the audited entity when managements fails to (i) report		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
such information to satisfy legal or regulatory requirements or (ii) take timely and appropriate steps to respond to such information? (GAS, 5.29-5.31)		
5.17 What are your policies and procedures for reporting views of responsible officials, when applicable, concerning findings, conclusions, and recommendations on deficiencies in internal control, fraud, noncompliance with provisions laws, regulations, contracts, or grant agreements, or abuse; or indicating in the report that comments were not provided? (GAS, 5.32, 5.38)		
5.18 What are your policies and procedures for including a copy of the officials' comments or summary of the comments, and an evaluation of the comments in the report? (GAS, 5.34-5.35)		
5.19 What are your policies and procedures for evaluating the validity of the comments when they are inconsistent with the findings, conclusions, or recommendations, or when planned corrective action is inadequate; and following-up and revising the report as necessary? (GAS, 5.37)		
Additional Fieldwork and Reporting Standards for Review Engagements and Agreed-Upon Procedures Engagements		
5.20 What are your policies and procedures for ensuring that auditors communicate significant deficiencies; material weaknesses; instances of fraud, noncompliance with		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
provisions of laws, regulations, contracts, or grant agreements; or abuse to the audited entity and those charged with governance? (GAS, 5.49, 5.59)		
5.21 What are your policies and procedures to ensure auditors establish an understanding with the audited entity regarding the services to be performed for each engagement? (GAS, 5.54, 5.64)		
5.22 What are your policies and procedures to ensure that (i) a review report conclusion be in the form of a negative assurance and (ii) an agreed-upon procedures report be in a form of procedures and findings? (GAS, 5.56, 5.66)		
5.23 What are your policies and procedures to ensure that a review and an agreed-upon-procedures engagement report includes a statement that a review is substantially less in scope than an audit and an examination, and an agreed-upon procedures engagement is substantially less in scope than an audit and examination engagement? (GAS, 5.57, 5.67)		
6. FIELD WORK STANDARDS FOR PERFORMANCE AUDITS		
Planning		
6.1 What are your policies and procedures to ensure the work is adequately planned and documented, and updates to the plan are made, as necessary, to accomplish the audit objectives? (GAS, 6.06-6.07)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
6.2 What are your policies and procedures to ensure the work is designed to obtain sufficient, appropriate evidence to support the auditors' findings and conclusions in relation to the audit objectives and to reduce audit risk to an acceptable level? (GAS, 6.10)		
6.3 What are your policies and procedures to ensure auditors assess audit risk and significance within the context of their audit objectives? (GAS, 6.11)		
6.4 What are your policies and procedures to: (GAS, 6.12) <ul style="list-style-type: none"> a. Identify criteria, and potential sources, amount, and type of evidence needed? (GAS, 6.37-6.39) b. Evaluate whether to use the work of other auditors and specialists and their qualifications and independence? (GAS, 6.40-6.42, 6.46) c. Assign sufficient staff members who collectively have adequate skills and professional competence? (GAS, 6.45) d. Communicate about the planning and performance of the audit with auditee management? (GAS, 6.47-6.48, 6.50) e. Prepare a written audit plan? (GAS, 6.51) 		
6.5 What are your policies and procedures to ensure auditors gain an understanding of the nature of the program or program component under audit, its relevance to users, and		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
information to help the auditors assess relevant risks such as program visibility, sensitivity, age, size, oversight, strategic plan, objectives, and external factors? (GAS, 6.13)		
6.6 What are your policies and procedures to ensure that auditors obtain an understanding of internal control that is significant within the context of the audit objectives? (GAS, 6.16)		
6.7 What are your policies and procedures to ensure auditors obtain an understanding of information systems controls and determine the audit procedures needed when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives? (GAS, 6.24, 6.27)		
6.8 What are your policies and procedures for: (GAS, 6.28) <ul style="list-style-type: none"> a. Identifying provisions of laws, regulations, contracts, or grant agreements that are significant within the context of the audit objectives? b. Assessing the risk that noncompliance with the provisions of laws, regulations, contracts, or grant agreements could occur? c. Designing procedures to obtain reasonable assurance of detecting instances of noncompliance with the provisions of laws, regulations, contracts, or grant 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
agreements that are significant within the context of the audit objectives?		
<p>6.9 In relation to fraud, what are your policies and procedures to ensure auditors: (GAS, 6.30-6.32)</p> <ul style="list-style-type: none"> a. Discuss fraud risks, such as incentives and pressures to commit fraud, the opportunity for fraud to occur and the rationalization and attitudes that could allow individuals to commit fraud? b. Gather and assess information to identify risks of fraud that are significant within the scope of the audit objectives or that could affect the findings and conclusions? c. Design procedures to obtain reasonable assurance of detecting fraud when auditors identify factors or risks related to fraud that has occurred or is likely to have occurred that they believe is significant within the context of the audit objectives? d. Extend audit steps and procedures, as necessary, to (1) determine whether fraud has likely occurred and (2) if so, determine its effect on the audit findings when information comes to the auditors' attention indicating that fraud, significant within the context of the audit objectives, may have occurred? 		
6.10 What are your policies and procedures, when auditors become aware of abuse that could be quantitatively or qualitatively significant to		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
the program under audit, to ensure auditors apply audit procedures specifically directed to ascertain the potential effect on the program under audit within the context of the audit objectives? (GAS, 6.34)		
6.11 What are your policies and procedures for evaluating the impact of and ensuring that auditors avoid interfering with current investigations or legal proceedings while pursuing indications of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse? (GAS, 6.35)		
6.12 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective actions to address findings and recommendations from previous audits that are significant within the context of the audit objectives? (GAS, 6.36)		
Supervision		
6.13 What are your policies and procedures for ensuring that the audit is properly supervised? (GAS, 6.53)		
6.14 What are your policies and procedures for documenting supervisory reviews of the audit work before the report is issued, of the evidence supporting the findings, conclusions, and recommendations contained in the audit report? (GAS, 6.83c)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Evidence and Documentation		
6.15 What are your policies and procedures regarding the preparation of appropriate documentation for engagements terminated prior to completion? (GAS, 6.50, 7.06)		
6.16 What are your policies and procedures to ensure that auditors obtain sufficient, appropriate evidence that encompasses adequacy, relevance, validity, and reliability in support of findings and/or conclusions? (GAS, 6.56-6.58)		
6.17 What are your policies and procedures to ensure auditors evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAS, 6.62)		
6.18 What are your policies and procedures on the use of sampling methodology? (GAS, 6.64)		
6.19 What are your policies and procedures for assessing the reliability, sufficiency and appropriateness of evidence provided by the audited entity, including computer-processed information? (GAS, 6.65-6.66)		
6.20 What are your policies and procedures to ensure that auditors determine and document the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions within the context of the objectives? (GAS, 6.67, 6.69, 6.71-6.72)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
6.21 What are your policies and procedures for planning and performing steps to develop the elements of a finding necessary to address the audit objectives? (GAS, 6.73)		
6.22 What are your policies and procedures to ensure documentation related to planning, conducting, and reporting of each audit is prepared in sufficient detail and before the report is issued, to include: (GAS, 6.79) <ul style="list-style-type: none"> a. The work performed and evidence that supports the significant judgments, findings, conclusions, and recommendations? (GAS, 6.80, 6.83b) b. Appropriate form and content to meet the circumstances of the audit? (GAS, 6.81) c. The objectives, scope, and methodology of the audit? (GAS, 6.83a) 		
6.23 What are your policies and procedures for ensuring that audit documentation identifies departures from GAGAS requirements and the impact on the audit and the auditors' conclusions? (GAS, 6.84)		
6.24 What are your policies and procedures to ensure that auditors and documentation are made available, within legal requirements, to other auditors or reviewers in a timely manner, when work is being used by other auditors? (GAS, 6.85)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
7. REPORTING STANDARDS FOR PERFORMANCE AUDITS		
7.1 What are your policies and procedures to ensure that a report is issued to communicate the results of each completed performance audit, including ensuring that the form of the audit report is appropriate for its intended use and is in writing or in some other retrievable form? (GAS, 7.03-7.04)		
<p>7.2 What are your policies and procedures to cover potential re-issued or reposted reports on the website when auditors discovered that they did not have sufficient, appropriate evidence to support the reported findings or conclusions after the report was issued? Do policies and procedures cover: (GAS, 7.07)</p> <ul style="list-style-type: none"> a. Communication to those charged with governance, appropriate officials of the audited entity or of the organizations requiring or arranging for the audit, and other known users in the same manner that was used to originally distribute the report? b. If applicable, removing the report from your website and posting a public notice that the report was removed? c. Determining whether to conduct additional work to reissue the report, including any revised findings or conclusions and if applicable, reposting the original report if the additional audit work did not result in a change in findings 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
or conclusions?		
<p>7.3 What are your policies and procedures to ensure that the audit report contains, as appropriate: (GAS, 7.08)</p> <ul style="list-style-type: none"> a. The audit objectives, scope, and methodology? (GAS, 7.09-7.11) b. Explanation of relationships between items tested and the population, organizations, geographic information, periods covered, kinds and sources of evidence obtained, any limitations and uncertainties, and how the completed work supports the audit objectives? (GAS, 7.12-7.13, 7.15) c. Sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives? (GAS, 7.14) d. The findings in perspective with a description of the nature of the issues and the work performed to reach the conclusions? (GAS, 7.16) e. Significant facts relevant to the objectives of the work which if not disclosed would mislead users, misrepresent the results, or conceal improper or illegal practices? (GAS, 7.17) f. The scope of the work on, and any deficiencies in, internal control; instances of fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse, that had occurred or were likely to have occurred and are 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
significant within the context of the audit objectives? (GAS, 7.18-7.19, 7.21-7.22)		
7.4 What are your policies and procedures for reporting known or likely fraud; noncompliance with provisions of laws; regulations, contracts, or grant agreements; or abuse directly to parties outside the audited entity when managements fails to (i) report such information to satisfy legal or regulatory requirements or (ii) take timely and appropriate steps to respond to such information? (GAS, 7.24-7.26)		
7.5 What are your policies and procedures to ensure that the audit report contains conclusions based on the audit objectives and the audit findings? (GAS, 7.27)		
7.6 What are your policies and procedures to ensure that the audit report contains recommended actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions? (GAS, 7.28)		
7.7 What are your policies and procedures for citing compliance with GAGAS in performance audit reports or modifying the statement when not in compliance with GAGAS? (GAS, 7.30-7.31)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
7.8 What are your policies and procedures for reporting views of responsible officials concerning finding, conclusions, and recommendations on deficiencies and planned corrective actions, or indicating in the report that comments were not provided? (GAS, 7.32, 7.38)		
7.9 What are your policies and procedures for including a copy of the officials' comments or summary of the comments, and an evaluation of the comments in the report? (GAS, 7.34-7.35)		
7.10 What are your policies and procedures for evaluating the validity of the audited entity's comments when they are inconsistent with the findings, conclusions, or recommendations, or when planned corrective action is inadequate; and following up and revising the report as necessary? (GAS, 7.37)		
7.11 What are your policies and procedures for reporting classified, confidential and sensitive information? (GAS, 7.39, 7.42, 7.43)		
7.12 What are your policies and procedures for distributing performance audit reports? (GAS 7.44)		
END OF CHECKLIST		

Appendix B

Checklist for Review of Adherence to General Standards

OIG UNDER REVIEW
& PERIOD REVIEWED:

REVIEWER(S):

DATE COMPLETED:

This appendix provides guidance for reviewing the audit organization's compliance with *Government Auditing Standards* (GAS), commonly referred to as generally accepted government auditing standards (GAGAS), and established policies and procedures related to the General Standards of Independence, Competence, Professional Judgment, and Quality Control and Assurance. The General Standards cover both the audit organization and the individual auditor. In those cases where the standards cover the audit organization, the steps in this appendix cover the audit organization's compliance with GAGAS. The individual auditor's and the team's compliance with the General Standard should be tested during the reviews of selected audits and attestation engagements and are covered by appendices C through E. Whether testing the audit organization, the audit team, or the individual auditor, the checklist covers common GAGAS areas and may be modified to meet the nature and extent of testing needed, depending on the audit organization's policies and procedures, circumstances, and risk factors.

Testing	Overall Conclusions
1. INDEPENDENCE	
<p>1.1 Review the audit organization's placement within the structure of the government entity to which it is assigned. Does the audit organization's reporting level within the agency impact its ability to objectively perform its work and report results? (GAS, 3.14g, 3.27–3.31)</p> <p>1.2 Obtain a list and description of all nonaudit services the audit organization provided to its agency from the period of its last External Peer Review. Did the audit organization evaluate whether providing these services created a threat to its independence as an organization? Was the evaluation appropriate? (GAS, 3.14b, 3.33–3.58)</p> <p>1.3 Assess the completeness of the nonaudit services described by the audit organization in the previous step by reviewing the Office of Inspector General's semi-annual reports to Congress or similar reports, and annual planning documents for indicators of any additional nonaudit services that may have been performed by the audit organization. Inquire about any such indicators and assess the potential impact to the audit organization's independence.</p> <p>1.4 Assess whether the audit organization's documentation of independence considerations provided evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements. Did the audit organization/auditors document: (GAS, 3.59)</p> <ul style="list-style-type: none"> • Threats to independence that required the application of safeguards, along with safeguards applied, in accordance with the conceptual framework? • Safeguards required for the audit organization if it is structurally located within a government entity and it is considered independent based on those safeguards? • The consideration of the audited entity management's ability to effectively oversee a nonaudit service to be provided by the audit organization? 	

Testing	Overall Conclusions
<ul style="list-style-type: none"> The auditor's understanding with an audited entity for which the auditor performed a nonaudit service? 	
2. COMPETENCE	
<p>2.1 Does the audit organization have a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce? (GAS, 3.70)</p> <p>2.2 Through interviews and observation, determine whether audit staff has access to applicable audit standards and other reference materials necessary for planning and performing audit work. (GAS, 3.72-3.74)</p> <p>2.3 Determine if the auditors and internal specialists who performed work in accordance with GAGAS (including planning, directing, and performing audit procedures, or reporting on a GAGAS audit) maintained their professional competence through continuing professional education (CPE). The peer review team should test compliance with GAGAS through a review of documentation that may be maintained in personnel files, individual audit files, or consolidated CPE files or databases. (GAS, 3.76, 3.81)</p> <p>2.4 Determine if the audit organization has quality control procedures to help ensure that auditors meet the CPE requirements, including documentation of the CPE completed. (GAS, 3.78)</p>	
3. QUALITY CONTROL AND ASSURANCE	
<p>3.1 Determine if the audit organization established a system of quality control that is designed to provide reasonable assurance of compliance with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of the quality control system will vary based on the 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. (GAS, 3.82a, 3.83)</p> <p>3.2 Determine if the documented quality control policies and procedures (covered by Appendix A) are communicated to organization personnel. (GAS, 3.84, 3.86–3.88)</p> <p>3.3 Determine if the audit organization documented compliance with its quality control policies and procedures and maintained such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with its quality control policies and procedures. (GAS, 3.84)</p> <p>3.4 For audit documentation retained electronically, determine whether the organization established effective information systems controls over accessing and updating the audit documentation. The controls are intended to protect the integrity, accessibility, and retrievability of audit information from being compromised if documentation is</p>	

Testing	Overall Conclusions
<p>altered, added to, or deleted without the auditor's knowledge or if the documentation is lost, or damaged. (GAS, 3.92)</p> <p>3.5 Determine if the audit organization is performing monitoring procedures that enable it to assess (a) compliance with established policies and procedures, applicable professional standards, and legal and regulatory requirements; and (b) whether the system of quality control for audits and attestation engagements is appropriately designed and operating effectively? The nature and extent of the monitoring will depend on policies, procedures, risks, and circumstances. (GAS, 3.93–3.94)</p> <p>3.6 Determine if the organization annually analyzed and summarized the results of its monitoring process; communicated any deficiencies noted during the monitoring process to appropriate personnel; and made recommendations for appropriate remedial action. As applicable, determine if corrective action was taken. (GAS, 3.95)</p> <p>3.7 For the individual audit or attestation engagement included in the External Peer Review sample that were also examined by the audit organization's quality control program, determine if the significant conclusions reached by the audit organization are reasonable and consistent with those of the External Peer Review team. If not, ascertain the reasons for the differences. For example, were the differences attributable to the application of reasonable professional judgment or a deficiency in design or performance of the related quality control procedures? (GAS, 3.98b, 3.99)</p> <p>3.8 Determine if the audit organization met the peer review requirements of GAGAS through an independent peer review once every 3 years, sufficient in scope to meet GAGAS. (GAS, 3.82b, 3.96–3.97)</p> <p>a. For an audit organization receiving its first peer review, determine whether the review covers a period that is no later than 3 years from the date the organization began its first GAGAS audit.</p> <p>b. Determine if the audit organization obtained an extension from the Council of the Inspectors General on Integrity and Efficiency Audit Committee and the Government Accountability Office if the issuance of the last peer report exceeded the due date by 3 months or more.</p> <p>3.9 Determine if the audit organization made its most recent peer review report publicly available. This requirement does <u>not</u> apply to the letter of comment, if one was issued. (GAS, 3.105)</p> <p>3.10 Determine if the audit organization provided a copy of the peer review report to those charged with governance, as applicable. (GAS, 3.105)</p>	
END OF CHECKLIST	

Appendix C

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

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

For other financial-related audits, the peer review team should consult with peer review checklists published by the AICPA and modify as needed, or prepare a separate checklist for these types of audits.

OIG UNDER REVIEW
& PERIOD REVIEWED:

NAME OF AUDIT:

Financial Statement Audit of (Agency Name)

CONTROL NO.:

REVIEWER(S):

DATE COMPLETED:

	Yes	No	N/A	Remarks and Findings
1. General Standards <p>In assessing compliance with General Standards for Independence, Professional Judgment, and Competence on individual financial audits performed by the OIG, the peer reviewer team should consult the audit organization's policies and procedures with respect to what is expected to be included in the audit documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and evidence of compliance may not be found in the documentation for individual audits. When assessing the documentation, the reviewer should be alert to issues related to compliance with the General Standards and make further inquiry as appropriate. Organization-wide testing of some or all aspects of the General Standards may be accomplished in Appendix B and not tested at individual audits. It is up to the peer review team to determine the nature and extent of the testing required based on the OIG's policies and procedures.</p>				
1.1 Independence <p>a. Did the auditors document the independence considerations, including identifying threats to independence; evaluating the significance of the threats identified, both individually and in the aggregate, and applying safeguards as necessary to eliminate the threats or reduce them to an acceptable level? Depending on the organization's policies and procedures, the documentation may be centrally maintained or in the individual audit files. (GAS, 3.24, 3.30, 3.59a., 3.59b)</p> <p>b. Taken as a whole, does the audit documentation show that the auditors were independent of the audited entity during the period of the professional engagement? (GAS 3.02, 3.05)</p>				
1.2 Professional Judgment <p>a. Taken as a whole, does the audit documentation show that the auditors exercised professional judgment (that is, the exercise of reasonable care and professional skepticism) in planning and performing the audit and reporting the results? (GAS 3.60, 3.61)</p>				
1.3 Competence <p>a. Did the staff assigned to the audit collectively have adequate professional competence to address the audit objectives and perform the work? (GAS, 3.69)</p>				

	Yes	No	N/A	Remarks and Findings
<p>b. Did the audit staff and internal specialists who planned and performed the audit and reported on the results of the audit meet GAGAS requirements for continuing professional education? (GAS, 3.76, 3.81)</p> <p>c. For external specialists who assisted in performing the audit or internal specialists who provided consultation on the audit, did the auditors determine that the specialist was qualified and competent in their area of specialization? (GAS 3.79, 3.80)</p>				
2. AICPA Field Work Standards – Planning and Supervision				
<p><i>Documenting Auditee Understanding</i> (AU 210.10; AU 260, AU 300.06c)</p> <p>2.1 Did the audit team document an understanding with the auditee in the form of an engagement memo or letter generally including: (AU 210.10)</p> <p>a. The objective and scope of the audit of the financial statements? (AU 210.10a)</p>				
<p>b. The responsibilities of management, including management's acknowledgment of its responsibility for: (AU 210.10c, AU 200)</p> <ul style="list-style-type: none"> • The entity's financial statements and the selection and application of the accounting policies? (AU 210.06b(i)) • Establishing and maintaining effective internal control over financial reporting to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error? (AU 210.06b(ii)) • Designing and implementing programs and controls to prevent and detect fraud? (AU 210.06b(ii)) • Identifying and ensuring that the entity complies with the laws and regulations applicable to its activities? (AU 210.07) 				

	Yes	No	N/A	Remarks and Findings
<ul style="list-style-type: none"> Making all financial records and related information available to the auditor, including unrestricted access to entity personnel from whom the auditor determines it necessary to obtain audit evidence? (AU 210.06b(iii)(1) - AU 210.06b(iii)(3)) 				
c. The auditor's responsibilities? (AU 210.10b)				
d. The inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with professional auditing standards? (AU 210.10d)				
e. Identification of the applicable financial reporting framework for the preparation of the financial statements? (AU 210.10e)				
f. Reference to the expected form and content of any reports to be issued by the auditor and a statement that circumstances may arise in which a report may differ from the expected form and content? (AU 210.10f)				
<i>Compliance With Relevant Ethical Requirements</i> (AU 300.06b, AU 220) 2.2 Did the auditor evaluate compliance with relevant ethical requirements?				
<i>Involvement of Key Audit Team Members</i> (AU 300.05) 2.3 Did the auditor involve key members of the audit team in planning the audit, including planning and participating in the discussion among audit team members?				
<i>The Overall Audit Strategy</i> (AU 300.07–.08) 2.4 Did the auditor establish and document an overall audit strategy that sets the scope, timing, and direction of the audit and that				

	Yes	No	N/A	Remarks and Findings
guides the development of the audit plan? (AU 300.07)				
2.5 In developing the overall audit strategy, (AU 300.08)				
a. Did the auditor identify the characteristics of the audit that define its scope?				
b. Did the auditor ascertain the reporting objectives of the audit in order to plan the timing of the audit and the nature of the communications required?				
c. Did the auditor consider the factors that, in the auditor's professional judgment, are significant in directing the audit team's efforts?				
d. Did the auditor consider the results of preliminary audit activities and, when applicable, whether knowledge gained on other audits managed by the audit senior management for the entity is relevant?				
e. Did the auditor ascertain the nature, timing, and extent of resources necessary to perform the audit?				
2.6 Did the auditor establish one or more levels of performance materiality? (AU 320.11)				
<i>Consideration of Direction, Supervision, and Review</i> (AU 300.11, .A16–.A17)				
2.7 Did the auditor plan the nature, timing, and extent of direction and supervision of audit team members and review of their work?				

	Yes	No	N/A	Remarks and Findings
<p><i>Determining the Extent of Involvement of Professionals Possessing Specialized Skills</i> (AU 300.12, AU 220.16, AU 620)</p> <p>2.8 Did the auditor consider whether specialized skills are needed in performing the audit?</p>				
<p><i>Changes to Planning Decisions During the Course of the Audit</i> (AU 300.10, .14, .A15)</p> <p>2.9 Did the auditor document the overall audit strategy, the audit plan, and any changes made during the audit to the overall audit strategy or the audit plan and the reasons for such changes? (AU 300.14)</p>				
<p>2.10 Did the auditor consider, prior to the auditor's identification and assessment of the risks of material misstatement, such matters as the following: (AU 300.A2)</p> <p>a. The analytical procedures to be applied as risk assessment procedures?</p>				
<p>b. A general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework?</p>				
<p>c. The determination of materiality?</p>				
<p>d. The involvement of specialists?</p>				
<p>e. The performance of other risk assessment procedures?</p>				
<p><i>Considerations in Initial Audit Engagements</i> (AU 300.13, AU 510)</p> <p>2.11 If the auditors are performing the audit on the financial statement for the first time, did the auditors perform procedures to determine whether the opening balances are properly stated?</p>				
<p><i>Consideration of Fraud</i> (AU 240)</p> <p>2.12 Did the auditor properly document compliance with fraud risk considerations? (AU 240.44)</p>				
<p>2.13 Did the auditor document discussions among audit team members in planning the</p>				

	Yes	No	N/A	Remarks and Findings
audit regarding the susceptibility of the entity's financial statements to material misstatement due to fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets of the entity could be misappropriated? (AU 240.15)				
2.14 Did the auditor document discussions with members of management and others within the entity with whom the auditor made inquiries about the risks of fraud? (AU 240.17–.21)				
2.15 Did the auditor document consideration of preliminary analytical procedures, including procedures specifically related to revenue? (AU 240.22)				
2.16 Did the auditor document other information obtained that indicates risks of material misstatement due to fraud? (AU 240.23)				
2.17 Did the auditor document the identification and the assessment of material misstatement due to fraud at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures? (AU 240.25)				
2.18 Did the auditor document the reasons supporting a conclusion that improper revenue recognition is not a risk of material misstatement due to fraud? (AU 240.26)				
2.19 Did the auditor document the assessed risks of material misstatements due to fraud as significant risks and, accordingly, to the extent not already done so, did the auditor also obtain an understanding of the entity's related controls, including control activities, relevant to such risks, including the evaluation of whether such controls have been suitably designed and implemented to mitigate such fraud risks? (AU 240.27)				

	Yes	No	N/A	Remarks and Findings
2.20 Did the auditor document the overall responses to address the assessed risks of material misstatement due to fraud at the financial statement assertion level and the auditor's incorporation of an element of unpredictability in the selection of the nature, timing, and extent of audit procedures? (AU 240.28–.30)				
2.21 Did the auditor document the identification of management's override of controls as a significant risk? (AU 240.31–.32) <ul style="list-style-type: none"> a. The risks of management's override of controls should be addressed apart from any conclusions regarding the existence of more specifically identifiable risks. b. Appropriate procedures should be performed, including testing the appropriateness of journal entries and other adjustments made in preparation of the financial statements, reviewing accounting estimates for bias, and evaluating significant transactions that are outside the normal course of business for the entity. 				
2.22 Did the auditor document the evaluation of the accumulated results of auditing procedures and whether they affect the assessment of risks of material misstatement due to fraud made earlier in the audit or indicate a previously unrecognized risk of material misstatement due to fraud? (AU 240.34)				
2.23 Did the auditor document the evaluation of misstatements, whether material or not, and whether they are indicative of fraud and whether management was involved? (AU 240.34–.37)				
2.24 Did the auditor document the nature of communications about fraud made to management and those charged with governance? (AU 240.39–.41)				
2.25 Did the auditor document the nature of the communications about fraud made to				

	Yes	No	N/A	Remarks and Findings
regulatory and enforcement authorities? (AU 240.42)				
<i>Information Technology (IT) Considerations</i> (AU 300, AU 310, AU 315, AU 320, AU 330)				
2.26 Did the auditor properly identify risks associated with the role of IT, including:				
a. Identification of the role of IT relative to financial transactions and financial reporting? (AU 315.A53–.A60)				
b. Consideration of risk of material misstatement associated with financial transactions and financial reporting? (AU 320)				
c. Obtaining sufficient knowledge of the information system, including the related business processes relevant to financial reporting? (AU 315.A84–.A90)				
d. Obtaining an understanding of how the entity has responded to risks arising from IT? (AU 315.22)				
e. Identification and assessment of potentially mitigating controls for those inherent risks, including application and general computing controls? (AU 315.A54–.A60)				
f. Possessing the required expertise to address the risks associated with IT or obtaining the assistance of a specialist? (AU 300.A18–.A19)				
g. Sufficiently identifying and addressing risks associated with IT and internal controls, either internally or through the use of a specialist? (AU 315.22)				
2.27 Did the auditor properly identify and document the linkage between further audit procedures (test of controls, substantive procedures, or both) and the IT risk assessment? (AU 330) This could include the following:				
a. The auditor documented the				

	Yes	No	N/A	Remarks and Findings
understanding of the entity and its environment. (AU 315)				
b. The auditor used a professional who has the IT skills to determine the effect of IT on the audit, understand the IT controls, or design and perform tests of IT controls or substantive procedures. (AU 310.A19)				
<i>Auditor's Specialist, if applicable</i> (AU 620, AU 315, AU 330) 2.28 If an auditor's specialist was used (for example, actuary, appraiser, engineer, environmental consultant, or geologist), did the auditor apply the appropriate procedures to evaluate the qualifications and findings of the specialist? (AU 620.08-.12)				
2.29 When developing an understanding of the entity and its environment relative to evaluation of the risk of material misstatements and the response to the audit evidence obtained, did the auditor: a. Perform risk assessment procedures, including inquiries of management and others within the entity, analytical procedures, and observation and inspection? (AU 315.05-.11)				
b. Obtain an understanding of the entity and its environment and components of its internal controls in order to assess the risk of material misstatements at the assertion level and to design and perform further audit procedures responsive to assessed risks? (AU 315.12-.25)				
c. Understand the auditor's responsibility to identify risks of material misstatement at the financial statement level and at the relevant assertion level related to classes of transactions, account balances, and disclosures? (AU 315.26-.27)				
d. Identify significant risks and obtain an				

	Yes	No	N/A	Remarks and Findings
understanding of the entity's controls, including control activities, relevant to those risks, and, based on that understanding, evaluate whether such controls have been suitably designed and implemented to mitigate such risks? (AU 315.28–.30)				
e. If the auditor assessed that it was not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures related to some risks, obtain an understanding of the entity's controls over such risks? (AU 315.31)				
f. Design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balances, and disclosure? (AU 330.18–.24)				
<i>Service Auditor Reports</i> (AU 402) 2.30 If the auditee uses service providers to process specific functions such as payroll, vendor payments and the like, did the auditor include a discussion on using service auditors' reports for internal controls over the outsourced services?				
<i>Related Party Transactions</i> (AU 300, AU 315, AU 550) 2.31 Were specific procedures for determining the existence of intra-governmental transactions and examining identified related party transactions applied? (AU 550)				
2.32 Did the auditor properly consider and document the overall audit strategy and the nature, timing, and extent of risk in the development of the audit plan and strategy and completion of the audit programs? (AU 300.A21–.A23)				
2.33 Did the auditor document its planning and risk assessment for each risk area, including the entity's financial statements or processes that contain complex or troublesome areas, significant estimates				

	Yes	No	N/A	Remarks and Findings
(such as environmental and legal liabilities), and areas prone to high fraud risk? (AU 300, AU 315)				
<i>Audit Areas</i> (AU 300–315)				
2.34 Assess the auditor’s assessment and performance related to each audit area. (AU 300–315). Listed below are examples of account classifications or audit areas that may be significant to the financial statements. The auditor may have identified other accounts or audit areas that are significant that the peer reviewer should consider when reviewing the audit documentation. For the each audit area, mark YES , if the auditor appropriately assessed it as a high-risk audit area; NO , if the auditor should have assessed it as a high-risk audit area, but did not; and N/A , if it is not a significant audit area. Inquire further for areas with NO responses.				
a. Fund Balance with Treasury (FBWT)				
b. Cash				
c. Accounts Receivable				
d. Other Receivables				
e. Stockpile Materials				
f. Inventories and Related Property				
g. Investments				
h. Property, Plant, and Equipment				
i. Other Properties				
j. Accounts Payable and Accrued Liabilities				
k. Capital Leases				
l. Pensions and Other Post-Employment Benefits				
m. Other Liabilities				
n. Commitments and Contingencies				

	Yes	No	N/A	Remarks and Findings
o. Revenues				
p. Costs				
q. Unexpended Appropriations				
r. Cumulative Results of Operation				
s. Budgetary Financing Sources				
t. Other Financing Sources				
u. Earmarked Funds				
3. AICPA Field Work Standards – Documentation and Evidence				
3.1 For audit areas that the auditor considers significant, material, or high risk during planning, did the auditor prepare audit documentation in sufficient detail to provide a clear understanding of the work performed, including: (AU 318)				
a. The nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements?				
b. The results of the audit procedures performed and the audit evidence obtained?				
c. The conclusions reached on significant matters?				
d. That the accounting records agree or reconcile with the audited financial statements or other audited information?				
<i>Audit Sampling</i> (AU 530)				
3.2 Did the auditor consider the following with regard to audit sampling:				
a. The purpose of the audit procedure and the characteristics of the population from which the sample will be drawn, when designing the audit sample? (AU 530.06)				
b. Did the auditor determine the sample size sufficient to reduce sampling risk				

	Yes	No	N/A	Remarks and Findings
to an acceptably low level? (AU 530.07)				
c. Did the auditor select items for the sample in such a way that the auditor can reasonably expect the sample to be representative of the relevant population and likely to provide the auditor with a reasonable basis for conclusions about the population? (AU 530.08)				
d. If the auditor was unable to apply the designed audit procedures, or suitable alternative procedures to a selected item, was the item treated as a deviation from the prescribed control (in the case of tests of controls) or a misstatement (in the case of tests of details)? (AU 530.11)				
e. Did the auditor project the results of audit sampling to the population? (AU 530.13)				
f. Did the auditor evaluate the results of the sample, including sampling risk, and whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested? (AU 530.14)				
<i>Substantive Analytical Procedures</i> (AU 520)				
3.3 If the auditor used analytical procedures as substantive procedures, did the auditor properly consider and document professional guidelines regarding such procedures? Did the auditor: (AU 520)				
a. Determine the suitability of particular substantive analytical procedures for given assertions, taking into account the assessed risks of material misstatement, and test of details for these assertions? (AU 520.05a)				
b. Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed? (AU 520.05b)				

	Yes	No	N/A	Remarks and Findings
c. Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated? (AU 520.05c)				
d. Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation, and compare the recorded amounts with expectations? (AU 520.05d)				
e. Investigate differences, when the auditor identifies fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, by: (AU 520.07) <ul style="list-style-type: none"> • Inquiring of management and obtaining appropriate audit evidence relevant to management's responses, and • Performing other audit procedures, as necessary? 				
f. Document the following: (AU 520.08): <ul style="list-style-type: none"> • Expectation of recorded amounts or ratios and factors considered in the auditor's development when those amounts were not readily determinable from the audit documentation? • Results of comparison of recorded amounts or ratios developed from recorded amount to expected amounts? • Additional auditing procedures performed relating to the investigation of fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount and the results of 				

	Yes	No	N/A	Remarks and Findings
such additional procedures?				
<p><i>Material Accounting Estimates</i> (AU 540)</p> <p>3.4 Did the auditor properly consider and document the procedures applied to material accounting estimates, when applicable? Consider the following:</p> <p>a. The auditor should obtain an understanding of the following in order to provide a basis for the identification of the risks of material misstatement for accounting estimates: (AU 540.08)</p> <ul style="list-style-type: none"> • The requirements of the applicable financial reporting framework relevant to accounting estimates, including related disclosures; • How management identifies those transactions, events, and conditions that may give rise to the need for accounting estimates to be recognized or disclosed in the financial statements; and • How management makes the accounting estimates and data on which they are based. 				
<p>b. The auditor should review the outcome of accounting estimates included in prior period financial statements or, when applicable, their subsequent re-estimation for the purpose of the current period. (AU 540.09)</p>				
<p>c. When responding to the assessed risks of material misstatement, the auditor should: (AU 540.13)</p> <ul style="list-style-type: none"> • Determine whether events occurring up to the date of the auditor's report provide evidence regarding the accounting estimate; • Test how management made the accounting estimate and the data on which it is based; • Test the operating effectiveness of the controls over how management made the accounting estimate, 				

	Yes	No	N/A	Remarks and Findings
<p>together with appropriate substantive procedures; and</p> <ul style="list-style-type: none"> • Develop a point estimate or range to evaluate management's point estimate. 				
<p>d. If management has not adequately addressed the effects of estimation uncertainty on the accounting estimates that give rise to significant risks, the auditor should, if considered necessary, develop a range with which to evaluate the reasonableness of the accounting estimate. (AU 540.16)</p>				
<p><i>Representation Letters</i> (AU 501, AU 551, AU 558, AU 580)</p> <p>3.5 Did the auditor obtain written representations from current management with appropriate responsibilities for the financial statements and knowledge of the matters concerned? (AU 580) Consider the following:</p> <p>a. The representation letter was properly dated and covered all periods referred to in the auditor's report. (AU 580.20)</p>				
<p>b. The letter contains an acknowledgement that management has fulfilled its responsibility for preparation and fair presentation of the financial statements and for internal controls relevant to the preparation and fair presentation of the financial statements. (AU 580.10)</p>				
<p>c. The letter acknowledges that management has provided the auditor with all relevant information and access, and all transactions have been recorded and are reflected in the financial statements. (AU 580.11g)</p>				
<p>d. The letter disclosed management's representations related to fraud, laws and regulations, litigations and claims, and subsequent events. (AU 580.12 - .18)</p>				

	Yes	No	N/A	Remarks and Findings
e. The letter provides representations about whether management believes the effects of uncorrected misstatements are immaterial to the financial statements as a whole. A summary of such items should be included, or attached to, the written representation. (AU 580.14)				
f. If the auditor determines that it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or more specific assertions in the financial statements, the auditor should request such other representations. (AU 580.19)				
3.6 Did the auditor obtain written representations from current management with appropriate responsibilities for the financial statements and knowledge of the matters concerned regarding specific representations related to a governmental audit? Consider the following:				
a. Management has disclosed all instances of identified or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements whose effects should be considered by management when preparing the financial statements (for example, tax or debt limits and debt covenants). (AU 580.13)				
b. Management has indicated whether it believes the effects of the uncorrected financial statement misstatements are immaterial, individually and in the aggregate, to the financial statements as a whole. (AU 580.14)				
c. Management acknowledges: (AU 558.05c) <ul style="list-style-type: none"> • Its responsibility for the required supplemental information (RSI); • That the RSI is measured and presented in accordance with 				

	Yes	No	N/A	Remarks and Findings
<p>prescribed guidelines;</p> <ul style="list-style-type: none"> • Whether the methods of measurement or presentation have changed from those used in the prior period and, if so, the reasons for such changes; and • Any significant assumptions or interpretations underlying the measurement or presentation of RSI. 				
<p>d. Management: (AU 551.07g)</p> <ul style="list-style-type: none"> • Acknowledges its responsibility for the presentation of the supplementary information (SI) in accordance with the applicable criteria; • Believes the SI, including its form and content, is fairly presented in accordance with applicable criteria; • Acknowledges that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement or presentation have changed, the reasons for such changes; • Acknowledges about any significant assumptions or interpretations underlying the measurement of the SI; and • Acknowledges that when SI is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the SI no later than the date of issuance by the entity of the SI and the auditor's report thereon. 				
<p>3.7 Did the auditor obtain timely and appropriate responses from the entity's attorneys concerning litigation, claims, and assessments, or document the basis for not seeking direct communication with the entity's legal counsel? (AU 501.18–.24)</p>				

	Yes	No	N/A	Remarks and Findings
<i>Compliance With Laws and Regulations ? (AU 250)</i>				
3.8 Did the auditor inspect correspondence, if any, with relevant licensing or regulatory authorities? (AU 250.14b)				
3.9 If the auditor's procedures disclosed instances or indications of noncompliance with laws and regulations that have a direct and material effect on the various opinion units within the basic financial statements, did the auditor properly consider, perform, and document tests of compliance with applicable laws and regulations in accordance with professional standards, including:				
a. Follow up in accordance with professional standards? (AU 250.17–.20)				
b. Report the noncompliance with laws and regulations to those charged with governance in accordance with professional standards? (AU 250.21–.23)				
c. Document a description of the identified or suspected noncompliance with laws and regulations and the results of discussions with management and, when applicable, those charged with governance and other parties inside or outside the entity? (AU 250.28)				
<i>Fraud; Noncompliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements; and Abuse (GAS, 4.06 – 4.09; AU 240; AU 250)</i>				
3.10 In addition to the AICPA requirements concerning fraud and noncompliance with provisions of laws and regulations, did the auditor extend the AICPA requirements pertaining to the auditors' responsibilities for laws and regulations to also apply to consideration of compliance with provisions of contracts or grant agreements? (GAS, 4.06)				
3.11 If indications of possible abuse that could				

	Yes	No	N/A	Remarks and Findings
be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives were identified, did the auditor apply procedures to determine the potential effect on the financial statements or other data significant to the audit objectives? (GAS, 4.08)				
<i>Going Concern Considerations (AU 570)</i> 3.12 Did the auditor evaluate whether there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? (AU 570.08–.09)				
3.13 If the auditor believed that there was substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, did the auditor perform appropriate procedures? Consider if: a. The auditor obtained information about management's plans that are intended to mitigate the effect of such conditions or events and evaluated the likelihood that such plans could be implemented effectively. (AU 570.10–.11)				
b. The auditor documented: (AU 570.22) <ul style="list-style-type: none"> The conditions or events that led to the belief that there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The elements of management's plans that the auditor considered to be particularly significant to overcoming the adverse effects of the conditions or events. The auditing procedures performed and evidence obtained in connection with the auditor's evaluation of management's plans. The auditor's conclusions about 				

	Yes	No	N/A	Remarks and Findings
<p>whether substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains or is alleviated.</p> <ul style="list-style-type: none"> The consideration and effect of the auditor's conclusion on the financial statements, disclosures, and the audit report. 				
<p>c. The auditor considered the need for disclosure of the principal conditions and events that initially caused the auditor to believe there was substantial doubt together with the mitigating factors if the auditor's substantial doubt was alleviated. (AU 570.13)</p>				
<p>d. The auditor's report included an emphasis-of-matter paragraph that adequately reflects the auditor's conclusion and was expressed through the use of the terms "substantial doubt" and "going concern" if the auditor's substantial doubt was not alleviated. (AU 570.15–.16)</p>				
<p>e. The auditors obtained written representations from management that include: (AU 570.14)</p> <ul style="list-style-type: none"> Management's plans that are intended to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time and the likelihood that those plans can be effectively implemented. A statement that the financial statements disclose all the matters of which management is aware that are relevant to the entity's ability to continue as a going concern, including principal conditions or events and management's plans. 				

	Yes	No	N/A	Remarks and Findings
<i>Communication of Internal Control Related Matters (AU 265)</i>				
3.14 Did the auditor report matters relating to the internal control to management and those charged with governance in a timely manner? Consider if:				
a. Deficiencies in internal control were identified during the audit; the auditor performed an evaluation of each deficiency to determine, on the basis of the work performed, if the deficiencies constituted significant deficiencies or material weaknesses. (AU 265.09)				
b. Deficiencies in internal control that were not material weaknesses, would a prudent officials, having knowledge of the same facts and circumstances, likely reach the same conclusion as the auditor's conclusion. (AU 265.10)				
c. Other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's professional judgment, are of sufficient importance to merit management's attention were communicated either in writing or orally. If other deficiencies in internal control are communicated orally, the auditor should document the communication. (AU 265.12b)				
d. The auditor complied with the requirement not to issue a written report stating that no significant deficiencies were identified during an audit. (AU 265.16)				
3.15 Did the written communication regarding significant deficiencies and material weaknesses include or state the following: (AU 265.14):				
a. The purpose of the audit was to express an opinion on the financial statements, but not to express an opinion on the effectiveness of the				

	Yes	No	N/A	Remarks and Findings
entity's internal control over financial reporting?				
b. The auditor is not expressing an opinion on the effectiveness of internal control?				
c. The definition of the term material weakness and, when relevant, significant deficiency?				
d. An explanation of potential effects of any significant deficiencies or material weaknesses?				
e. An appropriate alert restricting the use of the communication?				
<i>Subsequent Events</i> (AU 560, AU 585)				
3.16 Did the auditor consider information and apply appropriate professional guidance with respect to events occurring subsequent to the report release date? Consider the following:				
a. The auditor considered appropriate procedures regarding events subsequent to the balance-sheet date through the date of the auditor's report. (AU 560.09–.10)				
b. The auditor gave appropriate consideration to additional evidence that becomes available prior to the issuance of the financial statements. (AU 560.12–.14)				
c. If the auditor, subsequent to the report release date, became aware of facts that may have existed at that date that might have affected the report on the financial statements had the auditor then been aware of such information, the auditor considered the guidance in professional standards in determining an appropriate course of action and the matter appears to be properly resolved. (AU 560.15–.18)				
d. If there is an indication that the auditor concluded that one or more auditing				

	Yes	No	N/A	Remarks and Findings
procedures considered necessary at the time of the audit of the financial statements in the circumstances were omitted from the audit, the auditor considered the guidance in professional standards in determining an appropriate course of action and the matter appears to be properly resolved. (AU 585)				
<i>Evaluating Audit Findings</i> (AU 700.20, AU 705) 3.17 If the auditor concluded that, or is unable to conclude whether, the financial statements (opinion units) are materially misstated, did the auditor appropriately modify the opinion in the auditor's report on the financial statements?				
<i>Communication With Those Charged With Governance</i> (AU 260) 3.18 Did the auditor substantively meet the professional standards regarding auditor communications? Did the auditor: a. Properly determine the appropriate persons within the audited entity's governance structure with whom to communicate? (AU 260.07–.09)				
b. Communicate, to those charged with governance, the auditor's responsibilities for forming and expressing an opinion on the financial statements under the applicable financial reporting framework, and that the audit does not relieve management or those charged with governance of their responsibilities, when applicable? (AU 260.10)				
c. Communicate the form, timing, and expected general content of the auditor's communication with those charged with governance? (AU 260.15)				
d. Communicate, in a timely manner, and in writing, the significant audit findings when, in the auditor's judgment, oral communication would				

	Yes	No	N/A	Remarks and Findings
not be adequate; and include in the written communication that it is intended solely for the information and use of those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties? (AU 260.16–.17)				
e. Evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit? If the auditor has not evaluated the adequacy of two-way communication, did the auditor evaluate the effect, if any, on the auditor's assessment of risks of material misstatement and ability to obtain sufficient appropriate audit evidence and then take appropriate action? (AU 260.19)				
f. Document whether the information was communicated and if the communication was oral, include when and to whom it was communicated? (AU 260.20)				
<i>Audit Documentation</i> (AU 230, AU 300, AU 330, AU 334, AU-C 450, AU-C 600) 3.19 Did the audit documentation provide evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor and evidence that the audit was planned and performed in accordance with GAGAS and applicable legal and regulatory requirements? (AU 230.02)				
3.20 Was the audit documentation sufficient to enable an experienced auditor having no previous connection to the audit to understand the nature, timing, and extent of procedures performed; results of the procedures performed; audit evidence obtained; and significant findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching				

	Yes	No	N/A	Remarks and Findings
those conclusions? (AU 230.08-.09)				
3.21 For audit procedures related to the inspection of significant contracts or agreements, did the auditor include abstracts or copies of those contracts or agreements in the audit documentation? (AU 230.10)				
3.22 Did the auditor document discussions of significant findings or issues with management, those charged with governance, and others, including the nature of significant findings or issues discussed and when and with whom the discussions took place? (AU 230.11)				
3.23 If the auditor departed from a presumptively mandatory generally accepted auditing standards (GAAS) or GAGAS requirement, did the auditor document the justification for the departure and how other procedures performed in the circumstances were sufficient to achieve the intent of that requirement? (AU 230.13)				
3.24 If the auditor performed new or additional audit procedures or drew new conclusions after the date of the auditor's report, did the auditor document the circumstances encountered; the new or additional procedures performed, audit evidence obtained, conclusions reached, and their effect on the auditor's report; and when and by whom the resulting changes to audit documentation were made and reviewed? (AU 230.14)				
3.25 Did the auditor document the report release date in the audit documentation? (AU 230.15)				
3.26 Was the auditor's documentation consistent with the assembling of the audit documentation file and completion of the administrative process of assembling the audit file on a timely basis, no later than 60 days following the report release date? (AU 230.16)				

	Yes	No	N/A	Remarks and Findings
3.27 Did the auditor's documentation establish reasonable procedures for retention of and access to audit documentation in accordance with OIG requirements? (AU 230.17)				
3.28 If the auditor found it necessary to modify existing audit documentation or add new audit documentation after the documentation completion date, did the auditor document the specific reasons for making the change and when and by whom it was made and reviewed? (AU 230.18)				
3.29 If applicable, is a record of the significant changes to the overall strategy and audit plan and resulting changes to the planned nature, timing, and extent of audit procedures that explains why the significant changes were made and why the overall strategy and audit plan were finally adopted for the audit? Does it also reflect the appropriate response to the significant changes occurring during the audit? (AU 300.A23)				
3.30 Did the auditor perform substantive procedures on items related to confirmations and reconciliations including journal entries, adjusting and closing entries, subsidiary accounts, Fund Balance with Treasury and other intergovernmental balances, and fund financial statements? (UA 330.04, UA 334.09)				
3.31 If the audit involves group and component financial statements, did the auditor establish levels of performance materiality for each level, component and group? (AU-C 600.32)				
3.32 Did the auditor document a summary of misstatements identified during the audit, unless considered trivial and whether they have been corrected? (AU-C 450.12b)				
3.33 Did the auditor document the conclusion about whether uncorrected misstatements are material, individually or in the				

	Yes	No	N/A	Remarks and Findings
aggregate, and the basis for the conclusion? (AU-C 450.12c)				
4. GAGAS Field Work Standards – Supervision and Audit Documentation				
4.1 Did the auditors communicate pertinent information that in the auditor’s professional judgment needs to be communicated to individuals contracting for or requesting the audit, and to cognizant legislative committees when auditors performed the audit pursuant to a law or regulation or when they conducted the work for the legislative committee that has oversight of the audited entity? (GAS, 4.03)				
4.2 When there is not a single individual or group that both oversees the strategic direction of the audited entity and the fulfillment of its accountability obligations or in other situations where the identity of those charged with governance is not clearly evident, did the auditors document the process followed and conclusions reached for identifying the appropriate individuals to receive the required auditor communications? (GAS, 4.04)				
4.3 Did the auditors evaluate whether the entity took appropriate corrective action to address findings and recommendations from previous audits that could have a material effect on the financial statements or other financial data significant to the audit objectives? (GAS, 4.05)				
4.4 Did the auditors use the information gathered in regards to findings and recommendations from previous audits in planning the audit and to assess risk and determine the nature, timing, and extent of current audit work? (GAS, 4.05)				
4.5 Did the auditors extend the AICPA requirements pertaining to the auditors’ responsibilities for laws and regulations to compliance with provisions of contracts or grant agreements? (GAS, 4.06)				
4.6 If the auditors identified possible abuse				

	Yes	No	N/A	Remarks and Findings
that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives, did the auditors apply procedures to determine the potential effect on the financial statements or other data significant to the audit objectives? (GAS, 4.08)				
4.7 If applicable, did the auditors evaluate whether initiated or on-going investigations or legal proceedings may impact the current audit? (GAS, 4.09)				
4.8 If deficiencies in internal control, noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; or abuse were identified, did the auditors plan and perform procedures to develop the findings to contain the elements of criteria, condition, cause, and effect or potential effect, as applicable to the audit objectives? (GAS, 4.10-4.14)				
4.9 Does the audit documentation contain evidence of supervisory review, before report release date, of the evidence that supports findings, conclusions, and recommendations contained in the auditors' report? (GAS, 4.15a)				
4.10 If the auditors did not comply with applicable GAGAS requirements (mandatory requirements and presumptively mandatory requirements where alternative procedures were not sufficient to achieve the standard's objectives), did the audit documentation include the departure, and the impact on the audit and on the auditors' conclusions when the audit is not in compliance with applicable GAGAS requirements due to law, regulation, scope limitations, restrictions on access to records, or other issues impacting the audit? (GAS, 4.15b)				
4.11 If applicable, did the auditors make appropriate staff, as well as audit documentation, available upon request and in a timely manner to other auditors or				

	Yes	No	N/A	Remarks and Findings
reviewers? (GAS, 4.16)				
5. AICPA Reporting Standards				
5.1 Does the audit report state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP)? (AU 700.35-36)				
5.2 Does the audit report identify those circumstances in which GAAP had not been consistently observed in the current period in relation to the preceding period? (AU 708)				
5.3 Is the report in writing and does it include appropriate language in the circumstances? (AU 700.22-.43)				
5.4 If the auditor determined that informative disclosures are not adequate, does the auditor state so in the auditor's report? (AU 700.21)				
5.5 Does the audit report contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed? (AU 700.19-.20, AU 705)				
5.6 Is the report dated in conformity with the requirements of professional standards? (AU 700.41) The audit report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's opinion on the financial statement: <ul style="list-style-type: none"> • The audit documentation has been reviewed; • Included related notes; and • Management has asserted that it has taken responsibility for those financial statements. 				
5.7 Does the report appropriately include the basic elements required under professional standards, and is appropriate language used				

	Yes	No	N/A	Remarks and Findings
for modifying the report in the circumstances described in such standards? (AU 700. 22–.41, .A2, .A19–.A25; AU 800) It should:				
a. Include the word “independent” in the title; (AU 700.23)				
b. Be addressed as required by the circumstances of the audit; (AU 700.24 and .A19)				
c. Identify the entity whose financial statements have been audited and the title of each statement that the financial statements comprise; state that the financial statements have been audited, and specify the date or period covered by each financial statement that the financial statements comprise; (AU 700.25)				
d. Include a section with the heading, “Management’s Responsibility for the Financial Statements;” (AU 700.26)				
e. Describe management’s responsibility for the preparation and fair presentation of the financial statements; (AU 700.27–.28 and .A24–.A25)				
f. Include a section with the heading, “Auditor’s Responsibility” and state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit; (AU 700.29–.30)				
g. State that the audit was conducted in accordance with GAAS and identify the U. S. as the country of origin of those standards; (AU 700.31,A2)				
h. Include a statement that the audit involves performing to obtain evidence about the amounts and disclosure in the financial statements, the procedure selected depend on the auditors’ judgment, and evaluating the policies and the reasonableness of estimates				

	Yes	No	N/A	Remarks and Findings
used; (AU 700.32)				
i. Include a state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion; (AU 700.33)				
j. Include a section titled "Opinion" or "Opinions," if there are multiple opinion units; (AU 700.34)				
k. Identify the applicable financial reporting framework and its country of origin; (AU 700.36)				
l. Be appropriately modified in accordance with professional standards if the basis of presentation is a comprehensive basis of accounting other than GAAP. (AU 800)				
5.8 Has the report been modified with explanatory language to cover applicable circumstances in the entity's financial statements such as a material changes between accounting periods, significant or unusual items, inconsistencies, omissions, and the like? (AU-C 705)				
5.9 If the financial statements of a prior period are presented and have been audited by a predecessor auditor whose report is not presented, has the successor auditor included the appropriate reference to the predecessor auditor in the introductory paragraph? (AU 700.54)				
5.10 If supplementary information accompanies the basic financial statements, does the auditor include either (1) an explanatory paragraph following the opinion paragraph in the auditor's report on the financial statements or (2) in a separate report on the supplementary information that contains: (AU 725.09) a. A statement that the audit was conducted for the purpose of forming an opinion on the financial statements				

	Yes	No	N/A	Remarks and Findings
as a whole?				
b. A statement that the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements?				
c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements?				
d. A statement that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures?				
e. The appropriate opinion on the accompanying information?				
6. GAGAS Reporting Standards				
6.1 Did the auditors' report include a statement that the audit organization performed the audit in accordance with GAGAS or a modified GAGAS statement? (GAS, 2.24, 2.25, 4.18)				
6.2 Did the auditors report on internal controls over financial reporting and compliance with provision of laws, regulations, contracts, and grant agreements, regardless of deficiencies identified? (GAS, 4.19)				
6.3 Did the auditors describe, either in the same report, or in separate reports, the scope of work related to internal control and compliance with laws, regulation, and provisions of contracts or grant agreements and whether the work supports an opinion on the effectiveness of controls and compliance? (GAS, 4.20)				
6.4 If the auditors report internal control and compliance matters in a separate report did they make reference to the separate report in the report on the financial statements				

	Yes	No	N/A	Remarks and Findings
and state that the report is an integral part of a GAGAS audit and important in assessing the results of the audit? (GAS, 4.22)				
6.5 If the audit documentation provides evidence of any of the following, do the reports on internal control and compliance and other matters properly report: (GAS, 4.23)				
a. Significant deficiencies and material weaknesses in internal control?				
b. Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance?				
c. Noncompliance with provisions of contracts or grant agreements that has a material effect on the audit?				
d. Abuse that has a material effect on the audit?				
6.6 If the audit documentation provides evidence of any of the following either has occurred is likely to occur, do the reports on internal control and compliance include relevant information about: (GAS, 4.25)				
a. Fraud and noncompliance with provisions of laws or regulations that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance?				
b. Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives?				

	Yes	No	N/A	Remarks and Findings
c. Abuse that is material, either quantitatively or qualitatively?				
6.7 Did the auditors communicate in writing, to those charged with governance, when the auditors detect instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance? (GAS, 4.26)				
6.8 When presenting findings on deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, did the auditors develop the elements of a finding to the extent necessary to include findings related to deficiencies reported in previous audits that have not been remediated? (GAS, 4.28)				
6.9 When presenting findings, did the auditors place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work being performed that resulted in the finding? (GAS, 4.28)				
6.10 When presenting findings, did the auditors also relate the instances identified to the population or number of cases examined and quantify the results or limit the conclusions appropriately if the results cannot be projected? (GAS, 4.28)				
6.11 Did the auditors report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse directly to parties outside the audited entity including: (GAS, 4.30-4.32) a. To those charged with governance when the entity management fails to (i) satisfy legal or regulatory requirements to report such information to external				

	Yes	No	N/A	Remarks and Findings
parties specified in laws or regulations; or (ii) timely respond to known or likely fraud, noncompliance, and abuse that have a material effect on the financial statements and involves funding issues? (GAS, 4.30a-b)				
b. To the specified external parties if the audited entity still does not report the information as soon as practicable after the auditor reported the information to those charged with governance for fraud that does not deal with funding issues? (GAS, 4.30a)				
c. To the funding agency if the audited entity still does not report the information as soon as practicable after the auditor reported the information to those charged with governance for fraud that deals with funding issues? (GAS, 4.30b)				
d. If applicable, did the auditors report the information as indicated in the paragraphs above even if the auditor(s) have resigned or were dismissed from the assignment before completion? (GAS, 4.31)				
e. Did the auditors obtain sufficient, appropriate evidence to corroborate assertions by management that it has reported such findings in accordance with laws, regulations, and funding agreements? (GAS, 4.32)				
6.12 For reported findings related to internal control deficiencies; fraud; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse, did the auditors obtain and report the views of responsible officials as well as planned corrective action? (GAS, 4.33)				
6.13 When management provides written comments to findings and recommendations, did the auditors include a copy of the entity's written comments or a summary of the comments received?				

	Yes	No	N/A	Remarks and Findings
(GAS, 4.35)				
6.14 When management provides written comments to findings and recommendations, did the auditors also include an evaluation of the comments as appropriate, including any technical comments received? (GAS, 4.36)				
6.15 If the views of responsible officials are inconsistent or in conflict with the findings, conclusions, or recommendations or that planned corrective actions do not adequately address the recommendations, did the auditors evaluate the validity of such comments, and either modify their report if the response is valid or explain the reasons for disagreement if the response is not valid? (GAS, 4.38)				
6.16 If the entity refuses to provide comments or is unable to do so in a timely manner, did the auditors indicate as such in their report? (GAS, 4.39)				
6.17 If certain information is prohibited from public disclosure or is excluded from the report due to confidentiality or sensitive nature, did the auditors evaluate the impact of the omitted information and state in the report that certain information was omitted and the reason that makes the omission necessary? (GAS, 4.40, 4.43)				
6.18 When the audit organization is subject to public records law requirements, did the auditors include a determination of forms of communications with management and those charged with governance when those laws impact the availability of classified or limited use reports? (GAS, 4.44)				
6.19 Was the audit report submitted to those charged with governance, the appropriate audited entity officials, and the appropriate oversight bodies or organizations arranging for the audit? (GAS, 4.45a)				

	Yes	No	N/A	Remarks and Findings
7. OIG Quality Control Policies and Procedures				
7.1 Did the auditors follow the OIG's quality control policies and procedures for financial audits (e.g., use of checklists, independent report referencing, etc.)? (GAS, 3.93a) Note: The adequacy of the OIG's policies and procedures was evaluated in Appendix A. If the reviewer concludes that the financial audit reviewed met professional standards, inadequate policies and procedures or noncompliance by the auditors with policies and procedures would ordinarily be reported as a finding in the Letter of Comment and not impact the peer review rating.				
8. Overall Assessment				
8.1 Based on the results of the checklist and other work performed, conclude whether in performing and reporting on this audit, the audit organization complied with (1) GAGAS and (2) its policies and procedures. Appropriate inquiries about exceptions should be made with the auditors and management of the audit organization to determine the underlying reasons.				
END OF CHECKLIST				

Appendix D

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

This appendix includes guidance for reviewing the Office of Inspector General's (OIG's) attestation engagements conducted in accordance with *Government Auditing Standards* (GAS), also referred to as generally accepted government auditing standards (GAGAS), and the American Institute of Certified Public Accountants' (AICPA's) *Statements on Standards for Attestation Engagements* (SSAE). When an auditor conducts an attestation engagement under GAGAS, the engagement must be conducted in accordance with the SSAE and additional GAGAS requirements. This appendix is not intended to replace auditor judgment, and the peer review team may modify the checklist to ensure coverage as necessary. While this checklist is comprehensive, the peer review team may also wish to consult with other guidance as warranted. That guidance includes the SSAE and the AICPA's Peer Review Program (PRP) checklists for attestation engagements. In this regard, there are four AICPA checklists covering these requirements: (1) PRP §20,900, *Agreed-Upon Procedures Engagement Checklist*; (2) PRP §21,000, *Examination Attestation Engagement Checklist (For Financial Statements With Periods Ending on or after December 15, 2012)*; (3) PRP §21,050, *Review Attestation Engagement Checklist (For Financial Statements With Periods Ending on or after December 15, 2012)*; and (4) PRP §22,120, *Supplemental Checklist for Review of Agreed Upon Procedures and Other Attestation Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) December 2011 Revision*. Appendix D is not intended to be used for the OIG's monitoring of the work of an independent public accountant (IPA) where the IPA signed the report as the auditor. The guidance for the review of IPA monitoring is in Appendix F, *Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm*.

OIG UNDER REVIEW: _____

NAME OF ENGAGEMENT: _____

CONTROL NO.: _____

TYPE OF ATTESTATION ENGAGEMENT:

____ EXAMINATION ____ REVIEW ____ AGREED-UPON PROCEDURES

REVIEWER(S): _____

DATE COMPLETED: _____

	Yes	No	N/A	Remarks and Findings
1. GENERAL STANDARDS Note: In assessing compliance with the General Standards for Independence, Professional Judgment, and Competence on individual attestation engagements, the peer review team should consult the OIG's policies and procedures with respect to what is expected to be included in the attestation engagement documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and evidence of compliance may not be found in the documentation for individual attestation engagements. That being said, when assessing the attestation engagement documentation, the review team should be alert to issues related to compliance with the General Standards for Independence, Professional Judgment, and Competence and make further inquiry as appropriate.				
1.1 Independence a. Did the auditors document the independence considerations, including identifying threats to independence; evaluating the significance of the threats identified, both individually and in the aggregate; and applying safeguards as necessary to eliminate the threats or reduce them to an acceptable level? (Depending on the organization's policies and procedures, the documentation may be centrally maintained or are in the individual attestation engagement files.) (GAS, 3.24, 3.30, 3.59a., 3.59b) b. Taken as a whole, does the attestation engagement documentation show that the auditors were independent of the reviewed entity during the period of the professional engagement? (GAS 3.02, 3.05)				
1.2 Professional Judgment a. Taken as a whole, does the attestation engagement documentation show that professional judgment (that is, the exercise of reasonable care and professional skepticism) was used in planning and performing the engagement and reporting the results? (GAS, 3.60, 3.61)				
1.3 Competence a. Did the staff assigned to the attestation engagement collectively have adequate professional competence to address the engagement objectives and perform the				

	Yes	No	N/A	Remarks and Findings
work? (GAS, 3.69)				
b. Did the engagement staff and internal specialists who planned and performed the attestation engagement and reported on the results of the engagement meet GAGAS requirements for continuing professional education? (GAS, 3.76, 3.81)				
c. For external specialists who assisted in performing the attestation engagement or internal specialists who provided consultation on the engagement, did the auditors determine that the specialist was qualified and competent in their area of specialization? (GAS, 3.79, 3.80)				
2. ALL ATTESTATION ENGAGEMENTS				
General and Reporting Standards for All Attestation Engagements				
2.1 Did the auditors plan the attestation engagements to comply with the AICPA general attestation standards on criteria, the fieldwork and reporting attestation standards, and the corresponding statements on standards for attestation engagements to ensure appropriate procedures are selected and applied timely? (AICPA Codification of Statements on Standards for Attestation Engagements (AT) 101.43; GAS, 5.01)				
2.2 Did the auditors plan the engagement to ensure that the appropriate attestation engagement level of service was used in performing its work? (GAS, 5.02)				
2.3 If the auditors relied on another audit organization's work, did the auditors consider the impact of the other audit organization's latest peer review report and any related written communications issued? (GAS, 3.107)				
2.4 If the auditors complied with all applicable GAGAS requirements, does the report include a statement that the work was conducted in accordance with GAGAS? (GAS, 5.19, 5.51, 5.61)				

	Yes	No	N/A	Remarks and Findings
<p>2.5 Was the engagement report:</p> <p>a. Restricted as needed because of classified, confidential, and sensitive information? (GAS, 5.39, 5.43)</p> <p>b. Distributed to the appropriate parties? (GAS, 5.44, 5.52, 5.62)</p>				
<p>2.6 Did the auditors meet the requirements related to criteria: (AT 101.23-.34)</p> <p>a. Suitability of criteria including, objectivity, measurability, completeness, and relevancy. (AT 101.24)</p> <p>b. Availability of criteria including publicly, to all users in the subject matter assertion or in the report, not formally available but understood by most, or only to specific parties. (AT 101.33)</p>				
<p>2.7 Did the auditors document the nature, extent, and timing of the work to be performed and evidence to accomplish the objectives of the engagement? (AT 101.42)</p>				
<p>2.8 Did the auditors' attestation engagement report conform with the following AICPA reporting standards: (AT 101.63-.90, AT 201.31-.36)</p> <p>a. The auditors identified the subject matter or the assertion being reported on and state the character of the engagement in the report? (AT 101.63)</p> <p>b. The auditors stated the auditors' conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated in the report? (AT 101.66)</p> <p>c. The auditors stated all of the auditors' significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto in the report? (AT 101.72)</p> <p>d. The auditor stated in the report that the report is intended for use by specific</p>				

	Yes	No	N/A	Remarks and Findings
<p>parties when appropriate? (AT 101.78)</p> <p>e. The auditor included the appropriate elements required for the type of attestation engagement: examination, review, or agreed-upon procedures in the report? (AT 101.84-.90, AT 201.31-.36)</p>				
3. EXAMINATION ENGAGEMENTS				
Additional Fieldwork Standards				
<p>3.1 Did the auditors communicate pertinent information that, in the auditors' professional judgment, needed to be communicated to individuals contracting for or requesting the examination engagement and to cognizant legislative committees when auditors perform the examination engagement pursuant to a law or regulation, or they conduct the work for the legislative committee that has oversight of the entity? (GAS, 5.04)</p>				
<p>3.2 When there is not a single individual or group that both oversees the strategic direction of the reviewed entity and the fulfillment of its accountability obligations or in other situations where the identity of those charged with governance is not clearly evident, did the auditors document the process followed and conclusions reached for identifying the appropriate individuals to receive the required auditor communications? (GAS, 5.05)</p>				
<p>3.3 Did the auditors evaluate whether the entity took appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter or the assertion of the examination engagement? (GAS, 5.06)</p>				
<p>3.4 Did the auditors use the information gathered in regards to findings and recommendations from previous engagements in planning the examination engagement and assessing risk to determine the nature, timing, and extent of current</p>				

	Yes	No	N/A	Remarks and Findings
engagement work? (GAS, 5.06)				
3.5 In planning examination engagements, did the auditors assess the risk and design the engagement to detect fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that may have a material effect on the subject matter or the assertion thereon of the examination engagement? (GAS, 5.07)				
3.6 If auditors became aware of abuse that could be quantitatively or qualitatively material, did the auditors apply procedures to determine the potential effect on the subject matter, or the assertion thereon, or other data significant to the objective of the examination engagement? (GAS, 5.09)				
3.7 If applicable, did the auditors evaluate whether initiated or on-going investigations or legal proceedings may impact the examination engagement? (GAS, 5.10)				
3.8 If deficiencies in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; or abuse were identified, did the auditors plan and perform procedures to develop the findings to contain the elements of criteria, condition, cause, and effect or potential effect, as applicable to the examination engagement objectives? (GAS, 5.11-5.15)				
3.9 Does the examination engagement documentation contain sufficient information to enable an experienced auditor having no previous connection with the engagement to understand from the documentation the nature, extent, and results of procedures performed and the evidence obtained and its source; and the conclusions reached including evidence that supports the auditors' significant judgments and conclusions? (GAS, 5.16a)				

	Yes	No	N/A	Remarks and Findings
3.10 Does the examination engagement documentation contain evidence of supervisory review, before the date of the examination engagement report, of the evidence that supports findings, conclusions, and recommendations contained in the report? (GAS, 5.16b)				
3.11 If the auditors did not comply with applicable GAGAS requirements (mandatory requirements and presumptively mandatory requirements where alternative procedures were not sufficient to achieve the standard's objectives), did the examination engagement documentation include the departure, and the impact on the engagement and on the auditors' conclusions when the examination engagement is not in compliance with applicable GAGAS requirements due to law, regulation, scope limitations, restrictions on access to records, or other issues impacting the engagement? (GAS, 5.16c)				
Additional Reporting Standards				
3.12 If applicable, did auditors make appropriate staff, as well as attestation documentation, available upon request and in a timely manner to other auditors or reviewers? (GAS, 5.17)				
3.13 Based on the work performed, does the report properly include: (GAS, 5.20-5.21, 5.24) a. Significant deficiencies and material weaknesses in internal controls? b. Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the subject matter or an assertion about the subject matter and any other instances that warrant the attention of those charged with governance? c. Noncompliance with provisions of contracts or grant agreements that has a				

	Yes	No	N/A	Remarks and Findings
<p>material effect on the subject matter or an assertion about the subject matter or the examination engagement?</p> <p>d. Instances of abuse that have a material effect on the subject matter or an assertion about the subject matter of the examination engagement?</p> <p>e. Reference to a separate report, if one is issued?</p>				
3.14 If the auditors identified internal control deficiencies that were considered to be significant deficiencies or material weaknesses, were they included in the examination engagement report, including those communicated early? (GAS, 5.22)				
3.15 Did the auditors communicate, to those charged with governance, instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the subject matter or an assertion about the subject matter that are less than material but warrant their attention? (GAS, 5.25)				
3.16 Were examination engagement findings presented in accordance with GAGAS, including the requirements of the elements of a finding, and by placing the findings in a proper perspective? (GAS, 5.27-5.28)				
3.17 Did auditors report known or likely fraud; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse directly to parties outside the reviewed entity when management fails to (i) report such information to satisfy legal or regulatory requirements or (ii) take timely and appropriate steps to respond to such information? (GAS, 5.29-5.31)				
3.18 For reported findings related to internal control deficiencies; fraud; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse, did the auditors obtain and report the views of responsible officials as well as planned				

	Yes	No	N/A	Remarks and Findings
corrective action? (GAS, 5.32, 5.34-5.35)				
3.19 If the reviewed entity's comments are inconsistent with, or in conflict with, the auditors' findings, conclusions, or recommendations, did the auditors evaluate the validity of such comments and explain the reasons for any disagreements or modify their report if comments are valid? (GAS, 5.37)				
3.20 If the reviewed entity refused to provide comments or was unable to do so in a timely manner, did the auditors indicate as such in their report? (GAS, 5.38)				
4. REVIEW ENGAGEMENTS AND AGREED-UPON PROCEDURES ENGAGEMENTS				
Additional Fieldwork Standards				
4.1 If significant deficiencies; material weaknesses; instances of fraud; a noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse came to the auditors' attention that warrant the attention of those charged with governance, did the auditors (i) communicate such matters to the reviewed entity officials and (ii) determine whether the existence of these items affected the auditors' ability to conduct or report on the review? (GAS, 5.49, 5.59)				
4.2 Did the auditors establish and document an understanding on the services to be performed, including the engagement objectives, management's responsibilities, the auditor's responsibilities, and limitations of the engagement? (GAS, 5.54, 5.64)				
Additional Reporting Standards				
4.3 Did the auditors issue the attestation engagement report in the form of negative assurance and the agreed-upon procedures engagement report in the form of procedures and findings? (GAS, 5.56, 5.66)				

	Yes	No	N/A	Remarks and Findings
<p>4.4 When the auditors issue the review report or the agreed-upon procedures report, did the auditors include:</p> <p>a. In the review report, a statement that the review engagement is substantially less in scope than an audit and examination engagement and other limitations? (GAS, 5.57)</p> <p>b. In an agreed-upon procedures report, a statement that the agreed-upon procedures engagement is substantially less in scope than an audit and examination and review engagements and other limitations? (GAS, 5.67)</p>				
5. OIG QUALITY CONTROL POLICIES AND PROCEDURES				
<p>5.1 Did the auditors follow the OIG's system of quality control for attestation engagements (e.g., use of checklists, independent report referencing, etc.)? (GAS, 3.93a) The adequacy of the OIG's policies and procedures was evaluated in Appendix A. If the reviewer concludes that the attestation engagement met professional standards, inadequate policies and procedures or noncompliance by the auditors with policies and procedures would ordinarily be reported as a finding in the letter of comment and not impact the peer review rating.</p>				
END OF CHECKLIST				

Appendix E

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

This appendix includes guidance for reviewing performance audits conducted by the Office of Inspector General (OIG). This appendix is not intended to replace auditor judgment, and the peer review team may modify the checklist to ensure coverage as necessary depending on the circumstances of the reviewed entity. This checklist is not intended to be used for the OIG's monitoring of the work of an independent public accountant (IPA) where the IPA signed the report as the auditor. The guidance for the review of IPA monitoring is provided in Appendix F, *Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm*.

OIG UNDER REVIEW
& PERIOD REVIEWED:

NAME OF AUDIT:

CONTROL NO.:

REVIEWER(S):

DATE COMPLETED:

Description	Yes	No	N/A	Comment
1. General Standards <p>In assessing compliance with the generally accepted government auditing standards (GAGAS) General Standards for Independence, Professional Judgment, and Competence on individual performance audits, the peer review team should consult the reviewed audit organization's policies and procedures with respect to what is expected to be included as documentation to demonstrate compliance. It is important to keep in mind that certain documentation may be maintained on an organization-wide level and that evidence of compliance may not be found in the audit file for individual audits. When assessing the documentation, the peer review team should be alert to issues related to compliance with the General Standards for Independence, Professional Judgment, and Competence, and make further inquiry as appropriate. Organization-wide testing of the organization's General Standards is accomplished with appendix B and not tested at individual audits. It is up to the peer review team to determine the nature and extent of the testing required based on the audit organization's policies and procedures.</p>				
1.1 Independence (GAS, 3.02-3.59) <p>a. Did the auditors document the independence considerations, including identifying threats to independence; evaluating the significance of the threats identified, both individually and in the aggregate; and applying safeguards as necessary to eliminate the threats or reduce them to an acceptable level? (Depending on the organization's policies and procedures, the documentation may be centrally maintained or in the individual audit files.) (GAS, 3.24, 3.30, 3.59a, 3.59b)</p> <p>b. Taken as a whole, does the audit documentation show that the auditors were independent of the audited entity during the period of the professional engagement? (GAS, 3.02, 3.05)</p>				
1.2 Professional Judgment (GAS, 3.60) <p>a. Taken as a whole, does the audit documentation show that professional judgment (that is, the exercise of reasonable care and professional skepticism) was used in planning and performing the audit and reporting the results? (GAS, 3.60)</p>				

Description	Yes	No	N/A	Comment
1.3 Competence (GAS, 3.69-3.81) <ul style="list-style-type: none"> a. Did the staff assigned to the audit collectively have adequate professional competence to address the audit objectives and perform the work? (GAS, 3.69) b. Did the audit staff and internal specialists who planned and performed the audit and reported on the results of the audit meet GAGAS requirements for continuing professional education? (GAS, 3.76, 3.81) c. For external specialists who assisted in performing the audit or internal specialists who provided consultation on the audit, did the auditors determine that the specialist was qualified and competent in their area of specialization? (GAS, 3.79, 3.80) 				
2. Field Work Standards – Planning				
2.1 Was work adequately planned and documented, as appropriate, to address the audit objectives, scope and methodology, and did the work include: (GAS, 6.06, 6.07, 6.79) <ul style="list-style-type: none"> a. Assessing and reducing audit risk to an appropriate level to obtain reasonable assurance that evidence is sufficient to support the auditor’s findings and conclusions? b. Adjustments, as necessary, to reflect any significant changes to the objectives, scope, and methodology? 				
2.2 Did the auditors design the methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors’ findings and conclusions in relation to the audit objectives and reduce audit risk to an acceptable level? (GAS, 6.10)				
2.3 Did the auditors gain an understanding of the nature and profile of the program and the needs of potential users of the audit report to assess audit risk and its significance within the context of the audit objectives? (GAS, 6.11a, 6.13)				

Description	Yes	No	N/A	Comment
2.4 For internal control that was significant within the context of the audit objectives, did the auditors assess whether internal control had been properly designed and implemented and perform procedures to test the effectiveness of controls? (GAS, 6.11b, 6.16)				
2.5 If information systems controls were used extensively by the organization being audited that are significant to the audit objectives, did the auditors i) obtain an understanding of these controls; ii) evaluate the controls' design and operating effectiveness; and iii) determine which procedures related to the controls are needed? (GAS, 6.11c, 6.16, 6.24, 6.27)				
2.6 When provisions of laws, regulations, contracts, or grant agreements were significant within the context of the audit objectives, did the auditors assess the risk of noncompliance and include procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements? (GAS, 6.11d, 6.28)				
2.7 When the risk of fraud occurring was significant within the context of the audit objectives, did the auditors discuss among the team fraud risks such as incentives or pressures to commit fraud, opportunities, and rationalizations and attitudes; gather and assess information to identify risks of fraud; and include procedures to obtain reasonable assurance of detecting any such fraud and to determine whether fraud had likely occurred and its effect on the audit findings? (GAS, 6.11d, 6.30 - .32)				
2.8 If auditors become aware of abuse that could be quantitatively or qualitatively significant to the program under audit, did the auditors apply audit procedures to ascertain the potential effect of abuse on the program within the context of the audit objectives? (GAS, 6.11d, 6.34)				
2.9 When ongoing investigations or legal proceedings were significant within the context of the audit objectives; did the auditors				

Description	Yes	No	N/A	Comment
evaluate their impact on the current audit? (GAS, 6.11e, 6.35)				
<p>2.10 Did auditors evaluate whether the audited entity had taken appropriate corrective actions to address findings and recommendations from previous engagements that are significant within the context of the audit objectives? In planning the engagement, did the auditors: (GAS, 6.11f, 6.36)</p> <p>a. Ask management to identify previous reviews that directly relate to the objectives of the audit, including whether related recommendations had been implemented?</p> <p>b. Use this information in assessing risk and determining the nature, timing, and extent of the audit work, including determining the extent to which testing the implementation of the corrective actions was applicable to the audit objectives?</p>				
2.11 Did the auditors identify the criteria needed that are relevant to the audit objectives and that permit consistent assessment of the subject matter? (GAS, 6.12a, 6.37)				
2.12 Did the auditors identify potential sources of information that could be used as evidence; determine the amount and type of evidence needed to obtain sufficient, appropriate evidence; and evaluate whether the lack of evidence and its subsequent impact on internal controls could be a basis for an audit finding? (GAS, 6.12b, 6.38, 6.39)				
2.13 Did the auditors evaluate whether to use the work of other auditors and specialists to address some of the audit objectives and their related qualifications and independence? (GAS, 6.12c, 6.40- 6.42)				
2.14 Did the auditors assign sufficient staff and specialists with adequate collective professional competence to perform the audit? (GAS, 6.12d, 6.45)				
2.15 Did the auditors communicate about planning and audit performance to management, those				

Description	Yes	No	N/A	Comment
charged with governance, and others as applicable, including an overview of the objectives, scope, and methodology and the timing of the audit and planned reporting (including any potential restrictions on the report)? (GAS, 6.12e, 6.47, 6.48)				
2.16 Did the auditors prepare a written plan and update it as needed to reflect any significant changes to the plan? (GAS, 6.12f, 6.51)				
3. Field Work Standards – Supervision				
3.1 Was staff properly supervised by audit supervisors or those designated to supervise? (GAS, 6.53)				
3.2 Did the auditors document supervisory review, before the audit report was issued, of the evidence supporting the findings, conclusions, and recommendations contained in the audit report? (GAS, 6.83c)				
4. Field Work Standards – Evidence and Documentation				
4.1 When an audit is terminated before completion, did the auditors document the results of the work up to the date of termination and the reason for the termination? (GAS, 6.50, 7.06)				
4.2 Did the auditors obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions? (GAS, 6.56)				
4.3 Did the auditors assess whether the evidence is relevant, valid, and reliable? (GAS, 6.57)				
4.4 Did the auditors evaluate whether the evidence taken as a whole was sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions? (GAS, 6.58)				
4.5 Did the auditors evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAS, 6.62)				
4.6 When auditors used/relied on information provided by the audited entity officials as part of their evidence, did they determine what the officials or other auditors had done to obtain				

Description	Yes	No	N/A	Comment
assurance over the reliability of information provided? If necessary, did the auditors perform additional testing to obtain such assurance? (GAS, 6.65)				
4.7 Did the auditors assess the sufficiency and appropriateness of computer-processed information provided by the auditee officials or extracted by the auditors? (GAS, 6.66)				
4.8 For sufficiency of evidence, did the auditors determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions? (GAS, 6.67)				
4.9 Did the auditors determine the overall sufficiency and appropriateness of evidence to provide a reasonable basis for the findings and conclusions within the context of the audit objectives? (GAS, 6.69)				
4.10 Did the auditors perform and document an assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence? (GAS, 6.69)				
4.11 Did the auditors evaluate the expected significance of evidence to the audit objectives, findings, and conclusions, available corroborating evidence, and the level of audit risk? (GAS, 6.71)				
4.12 Did the auditors apply additional procedures, as appropriate, to overcome limitations or uncertainties in evidence that is significant to the audit findings and conclusions? (GAS, 6.72)				
4.13 Did the auditors develop the elements of a finding necessary to address the audit objectives, and when appropriate, recommendations for corrective action? (GAS, 6.73)				
4.14 Did the auditors prepare audit documentation, including objectives, scope, and methodology, in sufficient detail to enable an experienced auditor, having no previous connection to the				

Description	Yes	No	N/A	Comment
audit, to understand the nature, timing, extent, and results of procedures performed, the evidence obtained and its source, and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions? (GAS, 6.79, 6.83a-6.83b)				
4.15 Did the auditors prepare audit documentation, in reasonable form and content for the circumstances of the audit, that contained evidence supporting the findings, conclusions, and recommendations before the report was issued? (GAS, 6.80, 6.81)				
4.16 When auditors did not comply with applicable GAGAS requirements, did they document the departure from GAGAS and the impact on the audit and on the auditors' conclusions, including (1) assessing the significance of the noncompliance to the audit objectives, along with their reasons for not following the requirement(s); and (2) determining the type of GAGAS compliance statement? (GAS, 2.25, 6.84)				
5. Reporting Standards – Reporting				
5.1 Did the auditors issue an audit report communicating the results of the audit? (GAS, 7.03)				
5.2 Did the auditors use a form of the audit report appropriate for its intended use and in writing or some other retrievable form? (GAS, 7.04)				
5.3 If, after the report is issued, the auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, did they: (GAS, 7.07)				
a. Communicate that circumstance to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organization requiring or arranging for the audit, and other known users in the same manner as that used to originally distribute the report?				
b. Remove the report from their website and if applicable, post a public notice that the report was removed?				

Description	Yes	No	N/A	Comment
c. Determine whether to conduct additional work to reissue the report, including any revised findings or conclusions?				
d. Repost the original report if the additional audit work did not result in a change in findings or conclusions?				
6. Reporting Standards – Report Contents				
6.1 Did the audit report include a description of the audit objectives, the scope, and the methodology used to address the audit objectives, including: (GAS, 7.08-7.09)				
a. Communicating the audit objectives in a clear, specific, neutral, and unbiased manner that included relevant assumptions, and if appropriate, state that certain issues were outside the scope of the audit to avoid misunderstandings about the broader aspect of the scope? (GAS, 7.10)				
b. Describing the scope of the work performed and any limitations so that users could reasonably interpret the findings, conclusions, and recommendations in the report without being misled, and if appropriate, report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials or excessive delays of access to records or individuals? (GAS, 7.11)				
c. When using sampling, as applicable, explaining the relationship between the population and the items tested; identifying organizations, geographic locations, and the period covered; reporting the kinds and sources of evidence used; and explaining any significant limitations or uncertainties based on the auditors' overall assessment of the sufficiency and appropriateness of the evidence in the aggregate? (GAS, 7.12)				
d. Reporting the methodology by explaining how the completed work supported the audit objectives in sufficient details to allow knowledgeable users of their reports				

Description	Yes	No	N/A	Comment
to understand how the auditors addressed the audit objectives, including evidence gathering and analysis techniques; significant assumptions made; comparative techniques applied; criteria used; and, sampling results and methodology when used? (GAS, 7.13)				
6.2 With respect to reporting findings, did the auditors present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives? (GAS, 7.08, 7.14)				
a. If the auditors were able to sufficiently develop the elements of a finding, did they provide recommendations for corrective action if the recommendations were significant within the context of the audit objectives? (GAS, 7.14)				
b. As applicable, did the auditors describe limitations or uncertainties with the reliability or validity of evidence if (1) the evidence is significant to the findings and conclusions within the context of the audit objectives and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions? Did the auditors describe the limitations or uncertainties regarding evidence in conjunction with the findings and conclusions, in addition to describing those limitations or uncertainties as part of the objectives, scope, and methodology? (GAS, 7.15)				
c. Did the auditors place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the finding? Did the auditors, as appropriate, relate the instances identified to the population or the number of cases examined and quantify the results in terms of dollar value, or other measures? If the results could not be projected, did the auditors limit their conclusions appropriately? (GAS, 7.16)				
d. Did the auditors disclose significant facts				

Description	Yes	No	N/A	Comment
relevant to the objectives of their work and known to them which, if not disclosed, could mislead knowledgeable users, misrepresent the results, or conceal significant improper or illegal practices? (GAS, 7.17)				
6.3 Did the auditors report deficiencies in internal control that were significant within the context of the audit objectives? (GAS, 7.18)				
a. Did the audit report describe the auditors' scope of work on internal control? (GAS, 7.19)				
b. If the auditors detected deficiencies in internal control that were not significant to the objectives of the audit but warranted the attention of those charged with governance, did the auditors include those deficiencies either in the report or communicate those deficiencies <u>in writing</u> to audited entity officials? Did the auditors refer to that written communication in the audit report if the written communication was separate from the audit report? (GAS, 7.19)				
6.4 Did the auditors report instances of fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse that occurred or are likely to have occurred and are significant within the context of the audit objectives? (GAS, 7.18)				
a. If the auditors concluded, based on sufficient, appropriate evidence, that fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse either occurred or was likely to have occurred which was significant within the context of the audit objectives, did the auditors report the matter as a finding? (GAS, 7.21)				
b. If the auditors detected instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that were not significant within the context of the audit objectives but warranted the attention of those charged				

Description	Yes	No	N/A	Comment
with governance, did they communicate those findings <u>in writing</u> to audited entity officials? (GAS, 7.22)				
6.5 Did the auditors communicate to those charged with governance when management failed to satisfy legal or regulatory requirements and report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse to external parties specified in law or regulation? (GAS, 7.24a)				
6.6 Did the auditors communicate to those charged with governance when management failed to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse that (1) is significant to the findings and conclusions and (2) involves funding received directly or indirectly from a government agency? (GAS, 7.24b)				
6.7 Did the auditors report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements or abuse directly to parties outside the audited entity in these two circumstances: (GAS, 7.24-7.26)				
a. To external parties specified in law or regulation if the audited entity still does not report the information as soon as practicable after the auditor reported the information to those charged with governance because management failed to satisfy legal and regulatory requirements to report the information to the specified external parties, first in paragraph 6.5? (GAS, 7.24a)				
b. To the funding agency if the audited entity still does not take timely and appropriate action as soon as practicable after the auditor reported the information to those charged with governance, first in paragraph 6.6? (GAS, 7.24b)				
c. If applicable, did the auditors report the information as indicated in paragraphs				

Description	Yes	No	N/A	Comment
6.5.-6.7.b (above) even if the auditor(s) have resigned or were dismissed from the assignment before completion? (GAS, 7.25)				
d. Did the auditors obtain sufficient, appropriate evidence to corroborate assertions by management that it has reported such findings in accordance with laws, regulations, and funding agreements? (GAS, 7.26)				
6.8 Did the auditors report conclusions based on the audit objective and the audit findings? (GAS, 7.08, 7.14, 7.27)				
6.9 Did the auditors recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions? (GAS, 7.28)				
a. Did the auditors' recommendations flow logically from the findings and conclusions?				
b. Were the recommendations directed at resolving the cause of the identified deficiencies and findings?				
c. Did the recommendations clearly state recommended actions?				
6.10 When the auditors complied with all applicable GAGAS requirements, did they use the unmodified GAGAS compliance statement in the audit report? (GAS, 2.24a, 7.08, 7.30)				
6.11 When the auditors did not comply with all applicable GAGAS requirements, did they include a modified GAGAS compliance statement in the report? (GAS, 2.24b, 7.31)				
a. Did the auditors use a statement that included either (1) the language in GAS, 7.30, modified to indicate the requirements that were not followed or (2) language that the auditor did not comply with GAGAS?				

Description	Yes	No	N/A	Comment
b. When modified GAGAS statement is used, did the auditors include the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirement(s) affected, or could have affected, the audit and the assurance provided?				
6.12 Did the auditors obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report, as well as any planned corrective actions? (GAS, 7.32, 7.34-.35, 7.37-.38)				
a. If the auditors received written comments from the responsible officials, did the auditors include in the report a copy of the officials' written comments, or a summary of the comments received? (GAS, 7.34)				
b. When the responsible officials provide oral comments only, did the auditors prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments were accurately stated? (GAS, 7.34)				
c. Did the auditors include an evaluation of the comments in the report, as appropriate? (GAS, 7.35)				
d. Did the auditors evaluate the validity of the audited entity's comments if the comments were inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or if planned corrective actions did not adequately address the auditors' recommendations? If the auditors disagreed with the comments, did the auditors explain their reasons for disagreement in the report? Conversely, did the auditors modify their report as necessary if they find the comments valid and supported with sufficient, appropriate evidence? (GAS, 7.37)				
e. If the audited entity refused to provide comments or were unable to provide				

Description	Yes	No	N/A	Comment
comments within a reasonable period of time, <u>and</u> the auditors issued the report without receiving comments from the audited entity, did the auditors indicate in the report that the audited entity did not provide comments? (GAS, 7.38)				
6.13 If certain pertinent information was prohibited from public disclosure or was excluded from the report due to its confidential or sensitive nature, did the auditors disclose in the report that information was omitted and the reason or other circumstances that made the omission necessary? (GAS, 7.08, 7.39)				
a. When circumstances called for omission of certain information, did the auditors evaluate whether the omission could have distorted the audit results or concealed improper or illegal practices? (GAS, 7.42)				
b. If the audit organization was subject to public records laws, did the auditors determine whether public records laws could impact the availability of classified or limited use reports and determine whether other means of communicating with management and those charged with governance were more appropriate? (GAS, 7.43)				
7. Reporting Standards – Distributing Reports				
7.1 Did the audit organization distribute the audit report to those charged with governance, to the appropriate audited entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the audits? As appropriate, did the auditors also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports? Did the auditors document any limitation on report distribution? (GAS, 7.44, 7.44a)				
8. OIG Quality Control Policies and Procedures				
8.1 Did the auditors follow the organization's quality control policies and procedures for performance audits (e.g., use of checklists,				

Description	Yes	No	N/A	Comment
independent report referencing, etc.)? (GAS, 3.93a, 6.82) Note: The adequacy of the audit organization's policies and procedures was evaluated in appendix A. If the reviewer concludes that the performance audit reviewed met professional standards, inadequate policies and procedures or noncompliance with policies and procedures would ordinarily be reported in the Letter of Comment and not impact the peer review rating.				
8.2 For threats to independence identified after the audit report was issued, did the auditors assess the impact on the audit and notify management and other interested parties of the impact? (GAS, 3.26)				
9. Overall Assessment				
9.1 Based on the results of the checklist and other work performed, conclude whether in performing and reporting on this audit, the audit organization complied with (1) GAGAS and (2) its policies and procedures. Appropriate inquiries about exceptions should be made with the auditors and management of the audit organization to determine the underlying reasons.				
END OF CHECKLIST				

Appendix F

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

This appendix provides guidance for the review of monitoring by the audit organization of contracted audit or attestation work performed by an independent public accounting firm (IPA) where the IPA served as the auditor. Section 4(b) of the Inspector General Act of 1978 (5 U.S.C. Appendix 3) requires Offices of Inspector General (OIGs) to establish guidelines to determine when it is appropriate to use non-federal auditors such as IPAs. The Act also requires OIGs to ensure that the work of non-federal auditors adheres to generally accepted government auditing standards (GAGAS). Accordingly, the Council of the Inspectors General on Integrity and Efficiency Audit Committee has determined that it is prudent to give this area appropriate coverage as part of the peer review, regardless of whether an External Peer Review or a Modified Peer Review is required. IPA monitoring is an activity that is not an audit, and accordingly GAGAS does not apply to the activity. All references to GAGAS within this checklist are for informational purposes only. Additionally, the term “audit” in this checklist refers to both audit and attestation engagements, as appropriate.

This checklist is not applicable to engagements where the reviewed OIG served as the auditor and engaged an IPA to perform part of the work or situations where the audit organization takes full responsibility for the IPA’s work. For these engagements, the peer review team should use Appendix C, D, or E, as applicable. Also use Appendix F in addition to Appendix C, D, or E if the OIG’s report indicates a division of responsibilities with the IPA. It is also not intended that the peer review team review the IPA’s work. This appendix is not intended to replace auditor judgment and the peer review team may modify the checklist to ensure proper coverage as necessary. The peer review team may also wish to consult other guidance as warranted.

OIG UNDER REVIEW
& PERIOD REVIEWED:

NAME OF CONTRACTED
AUDIT OR ATTESTATION
ENGAGEMENT:

CONTROL NO.:

REVIEWER(S):

DATE COMPLETED:

	Yes	No	N/A	Remarks and Findings
1. Contracting Process (Note: Sources of guidance for this section include the Federal Acquisition Regulation, <i>Government Auditing Standards</i> (GAS), and the audit organization's procurement policies and procedures.)				
1.1 Were the auditors engaged to perform the audit licensed certified public accountants, persons working for a licensed certified public accounting firm, or licensed accountants in states that have multi-class licensing systems that recognize licensed accountants other than certified public accountants? (GAS, 3.75)				
1.2 As part of the contracting process, did the audit organization consider the following: a. Qualifications and experience of the IPA? b. Qualifications and experience of the proposed staff? c. The technical approach? d. Independence of the IPA, taking into consideration any existing, ongoing, or planned nonaudit services for the OIG or the OIG's agency? e. Description of the IPA's system of quality control? f. The IPA's latest peer review report or reports? (As discussed in GAS, 3.106, IPAs seeking to enter into a contract to perform GAGAS audits should provide the party contracting for such services with their most recent peer review report and any subsequent peer review reports received during the period of the contract.) g. For the IPA's peer review reports older than 1 year, the audit organization should consider obtaining additional information about the IPA's system of quality control; for example, the IPA's annual summary of the results of its monitoring procedures as required by GAS, 3.95. h. References from other clients (e.g., other federal audit organizations)? i. Audit scope and objectives? j. Requirement to perform the audit in accordance with GAGAS and applicable statutory, regulatory, and Office of Management and Budget requirements?				

	Yes	No	N/A	Remarks and Findings
<p>k. The establishment of milestones for completion of the audit (or major portions) and the submission of deliverables?</p> <p>l. Provisions for the submission and review of deliverables and access to the audit documentation by the audit organization and the Government Accountability Office?</p> <p>m. Other reports as appropriate, such as a report by a cognizant OIG of quality assurance reviews of audits conducted in accordance with the Single Audit Act of 1984, as amended?¹</p>				
<p>2. Planning and Monitoring the Work of the IPA (Note: Sources of additional guidance for this section include American Institute of Certified Public Accountants auditing standards AU sections 504 and 543 for historical perspectives and AU-C sections 200 and 600, and the <i>GAO/PCIE Financial Audit Manual</i>, Section 650².)</p>				
<p>2.1 Determine the degree of responsibility the audit organization accepted with respect to using the work of the IPA. This determination can be made by, for example, reviewing the audit organization's contract planning documentation, the contract statement of work, the final audit report and transmittal, etc. The degree of responsibility for the IPA's work and report assumed by the audit organization can vary widely. In the first three examples below, the reviewing OIG uses only Appendix F (in either the External Peer Review or the Modified Peer Review) to examine the reviewed OIG's monitoring of the IPA's work. Conversely, in the last three examples, the reviewing OIG as part of the External Peer Review, uses Appendix C, D, or E for the OIG's work, and if applicable, Appendix F to examine the reviewed OIG's monitoring of the IPA's work. The examples include:</p> <p>a. No association with the IPA's report – the IPA provides the report directly to the audited entity.</p> <p>b. Association with the IPA's report – expression of no assurance in the audit</p>				

¹ P.L. 98-502 (Oct. 19, 1984); P.L. 104-156 (July 5, 1996)

² The *GAO/PCIE Financial Audit Manual* is available on the Government Accountability Office's website at <http://www.gao.gov/special.pubs/gaopcie/>.

	Yes	No	N/A	Remarks and Findings
<p>organization's transmittal of the IPA's report to the audited entity.</p> <p>c. Association with the IPA's report – expression of negative assurance in the audit organization's transmittal of the IPA's report to the audit entity.</p> <p>d. Audit organization issues a report that refers to the IPA's report and indicates a division of responsibility. In this situation, the review team should consider completing appendix C, D, or E, as applicable, in addition to this appendix.</p> <p>e. Audit organization issues a report that expresses concurrence with the IPA's report and conclusions. In this situation, the review team should consider completing appendix C, D, or E, as applicable, in addition to this appendix.</p> <p>f. Audit organization issues a report that does not mention the IPAs work. In this situation, the review team must complete appendix C, D, or E, as applicable.</p>				
<p>2.2 Based on the degree of responsibility accepted, did the audit organization develop a reasonable strategy and plan, either as part of its policies and procedures or as a separate document, for monitoring and accepting the IPA's work?</p>				
<p>2.3 Did the audit organization carry out the strategy and plan in a reasonable manner? Some possible steps the audit organization may perform include (the audit organization may perform all or some of the steps):</p> <p>a. Participating in the audit entrance and exit conferences, and periodic status meetings.</p> <p>b. Reviewing the IPA's audit planning documents for consistency with the contract and GAGAS, and resolving any inconsistencies.</p> <p>c. Reviewing contract deliverables for consistency with the contract requirements and GAGAS in a timely manner.</p> <p>d. Reviewing the IPA's audit documentation and reports for adherence to GAGAS.</p>				

	Yes	No	N/A	Remarks and Findings
e. Monitoring adherence to milestones, as needed. f. Monitoring significant audit and accounting issues. g. Performing supplemental audit tests, if warranted by the degree of responsibility the audit organization accepted as identified in step 2.1.				
3. Concluding on IPA Monitoring				
3.1 Based on the intended use and audience of the IPA's work, the degree of responsibility accepted by the audit organization with respect to that work, and the monitoring performed, did the audit organization perform reasonable procedures consistent with professional standards, applicable federal/agency procurement requirements, and the OIG procurement policies and procedures to ensure that the work of the IPA adhered to GAGAS?				
END OF CHECKLIST				

Appendix G

Optional Audit Staff Questionnaire

OIG UNDER REVIEW
& PERIOD REVIEWED: _____

REVIEWER: _____

DATE COMPLETED: _____

PART A - Information about You

Your Job Title or Grade: _____

Years of Service in the OIG:

☐ less than 1 year

☐ 1-5 years

☐ 6-10 years

☐ more than 10 years

The work you do is **predominately** related to which of the following:

Financial Audits _____
Performance Audits _____
Attestation Engagements _____

PART B Questions about Your Knowledge and Experience

Please use response that best describes your answer:

- Yes = yes or always
- Mostly = most of the time or mostly
- Some = sometimes or somewhat
- No = no or never
- No Opinion = no knowledge or experience, or not sure
- NA = not applicable

	Yes	Mostly	Some	No	No Opinion	NA
1. Independence						
1.1 Have your OIG's policies and procedures relating to auditor independence and applying safeguards been explained to you?						
1.2 If questions came up about independence during an audit or attestation engagement (collectively referred to as "audits") in which you have participated, have they been promptly resolved? (If no independence questions have arisen to your knowledge, please answer "No Opinion").						
1.3 To your knowledge, has your office performed any nonaudit services that could impact the OIG's independence for audits performed by your office? ¹						
1.4 To your knowledge, has your OIG been free to do the following without interference during audits in which you have participated (if you do not check "Yes", please explain in the comments section):						
a. Select and assign staff?						
b. Determine the scope of audits?						
c. Choose and apply audit procedures?						
d. Select activities to be examined?						

¹ Questions concerning the definitions of "independence" and "nonaudit services" should be referred to the audit organization's policies and procedures, the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, GAGAS, or other applicable auditing standards.

	Yes	Mostly	Some	No	No Opinion	NA
e. Complete the audit assignments without unreasonable time restrictions?						
f. Report audit findings and conclusions?						
g. Distribute audit reports to appropriate officials?						
2. Professional Judgment						
2.1 Have you been informed of your OIG's policies and procedures in the following areas for conducting audit work (if you check "No", please elaborate in the comments section):						
a. Adherence to generally accepted government auditing standards (GAGAS)?						
b. Adherence to applicable American Institute of Certified Public Accountants (AICPA) standards?						
c. Maintaining professional skepticism, objectivity, and credibility?						
d. Assigning competent audit staff?						
e. Defining the scope of work, and reporting the results of the work?						
2.2 In your opinion, have the audits in which you participated been planned, conducted, and reported with professional skepticism, objectivity, and credibility? (If you do not check "Yes", please explain in the comments section).						
3. Competence						
3.1 Have you been informed of your OIG's policies and procedures regarding the continuing education and training requirements that affect you?						
3.2 In your opinion, has the staff assigned to the audits in which you have participated collectively had the skills and knowledge they needed to conduct those engagements?						

	Yes	Mostly	Some	No	No Opinion	NA
4. Quality Control and Assurance						
4.1 Have your OIG's quality control policies and procedures:						
a. Been communicated so that you understand the system of quality control and any specific procedures that apply to you?						
b. Been designed, in your opinion, to provide reasonable assurance that audits and staff comply with professional standards and applicable legal and regulatory requirements? (If you do not check "Yes", please explain in the comments section).						
c. Been followed during the audits in which you have participated? (If you do not check "Yes", please explain in the comments section).						
5. Supervision						
5.1 For audits in which you have participated, to your knowledge, have supervisors or those designated to supervise auditors generally done the following:						
a. Provided sufficient guidance and direction to staff assigned to address the audit objective(s) and follow applicable standards?						
b. Stayed informed about significant problems encountered?						
c. Reviewed the work performed? In this regard, did supervisors review the work performed that supports findings, conclusions, and recommendations contained in audit reports before the reports were issued? (If you do not check "Yes", please explain in the comments section).						
6. Planning						
6.1 Have you been informed of your OIG's policies and procedures for planning audits?						

	Yes	Mostly	Some	No	No Opinion	NA
For the following questions, answer the ones that are applicable to the type of audits you are predominately assigned to and skip those that do not apply:						
6.2 Financial audits - Did the planning for the financial audits in which you participated consider GAGAS in addition to the requirements contained in AICPA standards related to the following items:						
a. Auditor communication during planning?						
b. Previous audits and attestation engagements?						
c. Detecting material misstatements resulting from violations of provisions of contracts or grant agreements, or from abuse?						
6.3 Financial audits - Did the planning for the financial audits in which you participated also consider, as applicable, the following:						
a. Materiality in the context of the public accountability of government entities and entities receiving government funding, applicable legal and regulatory requirements, and the visibility and sensitivity of government programs?						
b. Fraud and illegal acts?						
c. Ongoing investigations or legal proceedings?						
6.4 Attestation engagements - Did the planning for the attestation engagements in which you participated consider GAGAS in addition to the requirements contained in AICPA standards related to the following items:						
a. Auditor communication during planning?						
b. Previous audits and attestation engagements?						
c. Internal control?						
d. Fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse						

	Yes	Mostly	Some	No	No Opinion	NA
that could have a material effect on the subject matter of the attestation engagements?						
6.5 Performance audits - Did the planning for the audits in which you have participated assess audit risk and significance within the context of the audit objectives by gaining an understanding of the following:						
a. The nature and profile of the program and the needs of potential users of the audit report?						
b. Internal control as it relates to the specific objectives and scope of the audit?						
c. Information systems controls for purposes of assessing audit risk and planning the audit within the context of the audit objectives?						
d. Legal and regulatory requirements, contract provisions or grant agreements, potential fraud, or abuse that are significant within the context of the audit objectives?						
e. The results of previous audits and attestation engagements that directly related to the current audit objectives?						
6.6 Performance audits - Did the planning for the audits in which you have participated:						
a. Identify the potential criteria needed to evaluate matters subject to audit?						
b. Identify sources of audit evidence and determine the amount and type of evidence needed given audit risk and significance?						
c. Evaluate whether to use the work of other auditors and experts to address some of the audit objectives?						
d. Provide for the assignment of sufficient staff and specialists with adequate collective professional competence and the identification of other resources needed to						

	Yes	Mostly	Some	No	No Opinion	NA
perform the audit?						
e. Provide for communication about planning and performance of the audit to management officials, those charged with governance, and others as applicable?						
f. Include the preparation of a written audit plan?						
7. Detecting Violations of Legal and Regulatory Requirements, Provisions of Contract or Grant Agreements, Fraud, and Abuse						
7.1 Have you been informed of your OIG's policies and procedures for identifying and testing compliance with legal and regulatory provisions that are significant to an audit's scope and objectives?						
7.2 Have you been advised about the following:						
a. When to consult with legal counsel, if questions arise concerning interpretations of laws and regulations?						
b. To be alert during the audits, to the possibility that noncompliance; improper or illegal acts, including fraud; and abuse may have occurred?						
7.3 If you found indications of suspected illegal acts, including fraud, or abuse during an audit, would you know how to deal with the situation according to your OIG's policies and procedures, or where to find that information?						
8. Reviewing Internal Control						
8.1 Have you been informed of your OIG's policies and procedures for:						
a. Obtaining an understanding of the internal control that is significant within the context of the audit objectives?						
b. For internal control that is significant, assessing whether internal control has been properly designed and implemented?						

	Yes	Mostly	Some	No	No Opinion	NA
c. Determining when it is necessary to and how to evaluate information systems controls?						
8.2 Have you been informed of your OIG's policies and procedures for communicating internal control weaknesses found during an audit?						
9. Evidence and Audit Documentation						
9.1 Have you been informed of your OIG's policies and procedures regarding the safe custody and retention of audit documentation, including audit documentation that may contain classified information or sensitive information such as personally identifiable information?						
9.2 Have you been provided with guidance as to what constitutes sufficient, appropriate evidence to support findings and conclusions?						
9.3 In your opinion, has your OIG provided you with adequate guidance on how to evaluate the effectiveness of significant information systems controls?						
9.4 Have you been informed of your OIG's policies and procedures on providing access to audit documentation to others?						
9.5 Have you been informed of your OIG's policies and procedures for testing the reliability of data, including computer-processed data?						
9.6 In your opinion, has the evidence obtained during the audits in which you have participated provided a reasonable basis for the judgments, findings, and conclusions in those audits?						
10. Reporting Audit Results						
10.1 Have you received guidance about the preparation, format, content, timeliness and distribution of audit reports (to the extent they relate to your responsibilities)?						

	Yes	Mostly	Some	No	No Opinion	NA
Comments/Explanations:						