



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Improving OIG processes

Internal Quality Assurance Review of EPA OIG Audit Assignments Completed in Fiscal Year 2019

Report No. 20-N-0230

July 16, 2020

Report Contributors:

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Abbreviations

CMR	Compliance Monitoring Review
CPE	Continuing Professional Education
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
OA&E	Office of Audit and Evaluation
OIG	Office of Inspector General
PMH-A	Project Management Handbook for Auditing

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At a Glance

Why We Did This Project

The U.S. Environmental Protection Agency's Office of Inspector General operates and maintains a system of quality control designed to provide reasonable assurance that personnel performing audits comply with the generally accepted government auditing standards, known as GAGAS, and established OIG policies and procedures.

Quality assurance directors from the OIG's Office of Audit and Evaluation report annually on systemic issues identified during referencing and compliance monitoring reviews. They also make observations on compliance with GAGAS and OIG policy.

In addition, GAGAS requires that each organization performing audits in accordance with these standards have an external peer review. Peer reviews must be performed at least once every three years.

This report addresses the following EPA OIG goal:

- *Improving OIG processes, resource allocation, and accountability to meet stakeholder needs.*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.oig.

List of [OIG reports](#).

Internal Quality Assurance Review of EPA OIG Audit Assignments Completed in Fiscal Year 2019

What We Found

Internal compliance reviews of EPA OIG audit assignments completed in fiscal year 2019 found that the OIG complied with GAGAS and substantially complied with OIG policies and procedures. An external peer review conducted in FY 2018 also found that the EPA OIG's system of quality control was suitably designed and complied with, providing the OIG with reasonable assurance that audits were performed and reported in conformity with GAGAS.

OIG audit reports issued in FY 2019 demonstrated high levels of compliance with OIG quality assurance procedures, receiving an average compliance score of 92 percent.

As part of our internal quality assurance review, we evaluated the OIG's audit activities for reports issued during FY 2019 and found that the projects complied with GAGAS and generally complied with OIG policies and procedures. The average compliance monitoring score was 91.95 out of 100. Similar to FY 2017 and FY 2018, the only systemic issue identified was the estimation and approval of project time frames and cost estimates. This issue continued to occur in FY 2019, in part, because corrective actions for a related recommendation—which was originally issued in the FY 2017 quality assurance review report and reissued in the FY 2018 quality assurance review report—were not implemented until October 2019. When reports are not timely and current, their relevance and usefulness can be diminished.

In addition, our internal quality assurance review assessed the OIG's compliance with GAGAS independence and competence standards, and we did not identify any significant issues. However, while all staff met the continuing professional education requirement for the FY 2018–FY 2019 cycle, we found some minor discrepancies. The OIG should ensure that all training records of completion are adequately documented in the training records system. Additionally, the OIG should ensure that it is maintaining all personal impairment forms for record-keeping purposes.

Finally, our internal quality assurance review assessed the eight non-GAGAS reports issued by the EPA OIG in FY 2019 and found that four did not contain the required statement that the work was not performed in accordance with GAGAS. Additionally, we noted a significant increase in non-GAGAS work from the previous year. OIG Policy 101, *Project Management Handbook for Auditing*, has been revised to address these issues.

We make no recommendations in this report but will review the implementation of corrective actions taken to address our findings during the FY 2020 internal quality assurance review. The acting assistant inspector general for Audit and Evaluation agreed with our findings and committed to the continued monitoring of the corrective actions already in place.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

July 16, 2020

MEMORANDUM

SUBJECT: Internal Quality Assurance Review of EPA OIG Audit Assignments Completed in Fiscal Year 2019
Report No. 20-N-0230

FROM: Richard Eyermann, Deputy Assistant Inspector General
Office of Audit and Evaluation

A handwritten signature in black ink, reading "Richard Eyermann", is placed to the right of the "FROM:" line.

TO: Kathlene Butler, Acting Assistant Inspector General
Office of Audit and Evaluation

This is our final report on the U.S. Environmental Protection Agency Office of Inspector General's adherence to quality control elements and compliance with generally accepted government auditing standards in OIG audit assignments completed in fiscal year 2019.

This report offers observations to enhance and strengthen the OIG's audit execution process.

cc: Sean W. O'Donnell, Inspector General
Charles J. Sheehan, Deputy Inspector General
Edward S. Shields, Associate Deputy Inspector General
Rashmi Bartlett, Deputy Assistant Inspector General for Audit and Evaluation
Christine El-Zoghbi, Deputy Assistant Inspector General for Audit and Evaluation
James Hatfield, Associate Deputy Assistant Inspector General for Audit and Evaluation

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Purpose

The U.S. Environmental Protection Agency's Office of Inspector General operates and maintains a system of quality control designed to provide reasonable assurance that all personnel performing audit functions comply with generally accepted government auditing standards, known as GAGAS, and with OIG policies and procedures. Quality assurance directors from the OIG's Office of Audit and Evaluation analyze and summarize the results of their monitoring activities at least annually to identify any systemic or repetitive issues needing improvement, along with recommendations for corrective action.

This quality assurance report summarizes the results of our compliance monitoring reviews of 32 audit reports issued in fiscal year 2019. Appendix A lists the audits we reviewed.¹

Background

The Inspector General Act of 1978, as amended, requires that federal inspectors general comply with the audit standards established by the comptroller general of the United States. The EPA OIG conducts its audits in accordance with these standards. All in-text citations in this report refer to the 2018 version of GAGAS; however, because the 2011 version was still in effect for some of the audits we reviewed, we also include citations to those relevant sections in footnotes. The OIG also maintains an internal system of quality control to provide the organization with reasonable assurance that its products, services, and personnel comply with professional standards and applicable legal and regulatory requirements.

GAGAS Section 5.44 states that an audit organization:²

[S]hould analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to the relevant engagement partner or director, and other appropriate personnel, any deficiencies noted during the monitoring process and recommend appropriate remedial action.

A measuring process should provide a mechanism to evaluate individual products against specific quality criteria. The process should also present the information in a manner that, over time, will allow the OIG to assess adherence to quality control elements so that necessary adjustments can be made to policies, procedures, and activities.

¹ A CMR is prepared for each audit. Some audits may have multiple reports, but only one CMR is completed for each audit. Appendix B lists the reports issued without CMRs and the reason CMRs were not performed.

² 2011 GAGAS Section 3.95.

Our system of quality control uses CMRs to assess completed work and determine whether the OIG followed professional standards and operated according to OIG Policy 101, *Project Management Handbook for Auditing*.

Each CMR encompasses an analysis of the audit activities that occurred, from initiating the audit to the issuance of the final report. Additionally, some post-audit activities are also reviewed. The CMR results, trends, and subsequent recommendations are summarized in an annual quality control report.

Compliance with general auditing standards, such as independence, professional judgment, competence, and adherence to continuing professional education requirements, is not part of the CMR. The CMR examines fieldwork and reporting standards conducted in accordance with GAGAS and the PMH-A by checking for compliance with identified activities associated with planning and execution, communication, supervision, reporting, and data quality. The specific categories evaluated in the CMR and their associated point values are presented in Table 1.

Table 1: CMR categories for FY 2019 reports

Category	Point value
Planning and Execution	12
Communication	13
Supervision	25
Report Quality	25
Timeliness	15
Post Reporting/Data Quality	10
Total	100

Source: The EPA OIG.

Scope and Methodology

We performed this internal quality assurance review on projects with final reports issued from October 1, 2018, through September 30, 2019. This internal review covered GAGAS-compliant reports scored by the OIG's quality assurance staff. We did not include any reports with work performed by external auditors. The work performed in this internal review does not constitute an audit conducted in accordance with GAGAS.

The scores for each report were reviewed, and any audit that received less than 80 percent of the possible points in any of the six CMR categories (outlined in Table 1) was further reviewed to assess the issues identified. Identified issues were then analyzed to determine whether any were systemic. An issue was considered systemic if it occurred in more than 20 percent of the reports.

As part of the quality assurance review, we also assessed compliance with two GAGAS general standards: independence and competence. Records documenting compliance with these standards are maintained on an organizational basis, rather than by assignment.

We also reviewed non-GAGAS reports issued during FY 2019, excluding evaluations conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* and with OIG Policy 109, *Project Management Handbook for Evaluation*, to determine whether:

1. Additional controls are needed to address risks associated with the issuance of non-GAGAS reports.
2. Guidance is needed to obtain reasonable assurance that we are capturing results in a consistent and accurate manner in the Performance Measurement Results System.
3. Non-GAGAS reports include the required language indicating that the auditors did not follow GAGAS standards.

Prior Reports

On June 18, 2018, the Department of Defense OIG issued a [report](#) on its external peer review of the EPA OIG's system of quality assurance as of September 30, 2017. The peer review included a sample of reports issued in FY 2017. The Department of Defense OIG's overall conclusion was that the EPA OIG's system of quality control was suitably designed and complied with, providing the EPA OIG with reasonable assurance that audits are performed and reported in adherence with applicable professional standards. In its management letter, the Department of Defense OIG identified some issues that were not of sufficient significance to affect its overall conclusion. In response, the EPA OIG proposed corrective actions to address the issues.

On June 4, 2019, the EPA OIG issued Report No. [19-N-0167](#), *Quality Assurance Review of EPA OIG Audit Assignments Completed in Fiscal Year 2018*. Based on the results of the CMRs conducted that year, we recommended that the assistant inspector general for Audit and Evaluation finalize the planned corrective actions to address the quality control review recommendation originally issued in EPA OIG Report No. [18-N-0219](#), *Quality Assurance Review of EPA OIG Reports Issued in Fiscal Year 2017*, dated July 9, 2018. We also recommended that the assistant inspector general for Audit and Evaluation establish internal controls to verify that personal impairment forms are completed in a timely manner and readily accessible for all staff. The assistant inspector general for Audit and Evaluation agreed with the findings and recommendations and implemented corrective actions.

Results

OIG audit assignments completed in FY 2019 complied with GAGAS and generally complied with OIG policies and procedures. The average compliance monitoring score was 91.95 out of 100, which is a decrease from FY 2018's average of 94.31. Similar to FY 2017 and FY 2018, the only systemic issue identified was the estimation and approval of project time frames and cost estimates. The issue continued to occur in FY 2019, in part because the corrective action to address the related recommendation—which was originally issued in the EPA OIG's FY 2017 quality assurance review report and reissued in the FY 2018 quality assurance review report—was not fully implemented until after FY 2019 ended. When reports are not timely and current, their relevance and usefulness can be diminished. We will evaluate the implementation of the corrective action as part of the FY 2020 internal quality assurance review.

Our FY 2019 quality assurance review also found no significant issues regarding the OIG's compliance with GAGAS independence and competence standards.

In addition, we found that controls were needed when the organization issued non-GAGAS reports. Subsequently, guidance was incorporated into the revised PMH-A; therefore, we did not issue a recommendation. We will review non-GAGAS reports as part of the FY 2020 internal quality assurance review.

Estimation and Approval of Project Time Frames and Cost Estimates Need Improvement

The FY 2019 CMRs continued to show a systemic issue related to the timeliness and cost of projects. The CMRs found that some projects exceeded estimated staff days and calendar days and that revisions to milestone dates were not always approved. This issue continued to occur in FY 2019, in part because a related recommendation—which was first issued in the EPA OIG's FY 2017 quality assurance review report and reissued in the FY 2018 quality assurance review report—was not completed until after FY 2019 ended. The PMH-A was updated in October 2019 to include specific milestone approval and documentation requirements.

GAGAS paragraph 9.17g identifies timeliness as a report quality element, noting that “timely issuance of the report is an important reporting goal for auditors.”³ OIG procedures describe requirements relating to the estimated project time frames, approval of revisions to time frames, and documentation of approval of time frames. When reports are not timely and current, their relevance and usefulness can be diminished.

Eleven of the 32 reports we reviewed scored less than 80 percent in the timeliness category. The timeliness score is based on a comparison of the approved

³ 2011 GAGAS Section A.7.02.

milestone date and staff-day estimate with the actual milestone date and staff-day estimate.

In response to EPA OIG Report No. 19-N-0167,⁴ the assistant inspector general for Audit and Evaluation agreed to clarify the following issues in the PMH-A:

- Key information regarding assignment calendar days and staff days that must be approved.
- When key information revisions are needed.
- Who can approve revisions to key information.
- How to document key information and revisions.

However, the revised PMH-A was not issued until October 2019, after FY 2019 ended. We will evaluate the implementation of these controls as part of the FY 2020 internal quality assurance review.

OIG Complied with Education Requirements

Auditors performing work in accordance with GAGAS should maintain their professional competence through CPE.⁵ Over a two-year period, auditors must take 80 hours of CPE, including 56 training hours related to conducting audits and 24 training hours related to government auditing, the government environment, or specialized information. We reviewed information entered into the Inspector General Enterprise Management System training module and found that all staff in OA&E who conduct audit work met the CPE requirement in the FY 2018–FY 2019 cycle.

Additionally, we reviewed a judgmental sample of the training documentation for ten OA&E staff to determine whether their training was adequately documented in the Inspector General Enterprise Management System training module. Evidence of completion of CPE, such as a certificate from the CPE provider, should be documented in the Inspector General Enterprise Management System training module. If the CPE provider does not provide a certificate, staff should complete the CPE self-certification form available on the OIG intranet audit resources page. While we found that all ten staff had adequate support to meet the CPE requirements, we found some minor discrepancies in the documentation.

All OA&E staff were reminded to include the following training documentation in the Inspector General Enterprise Management System training module:

- The name of the organization providing the CPE.
- The title of the training program, including subject matter or field of study.

⁴ OIG, *Quality Assurance Review of EPA OIG Reports Issued in Fiscal Year 2018*, Report No. [19-N-0167](#), issued June 18, 2018.

⁵ The term “auditor” refers to all people who conduct audits, regardless of their official position title.

- Dates attended or completed.
- Number of CPE hours earned toward the 56-hour and 24-hour requirements.

Additionally, in cases where staff are claiming CPE for nontraditional training, such as preparing training materials, staff should document the justification and support for the number of CPE hours claimed in the Inspector General Enterprise Management System training module, along with supervisory approval.

Employees and supervisors are expected to continue to meet CPE requirements and have periodic discussions to ensure continued compliance.

Improvements Made in the Approval and Documentation of Annual Personal Impairment

GAGAS Section 3.108 states that independence documentation must provide evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements.⁶ OIG Policy and Procedure 102 states that staff and contractors must be independent, in fact and appearance, and sign a personal impairment form upon joining the OIG and as performance agreements are established. Directors are asked to save copies of completed impairment forms on the OIG shared drive.

As reported in the FY 2018 quality assurance review report, an analysis of the shared drive in February 2019 found that 23 percent of the forms were missing. In response, the OA&E established an internal control to require directors to attest that all personal impairment forms are completed and properly stored prior to their end-of-year performance reviews. An analysis of the shared drive in January 2020 found that only 4 percent of the forms were either missing or lacking supervisory review. When notified of these missing forms, a deputy assistant inspector general for Audit and Evaluation requested that staff submit the missing impairment forms.

Review of Non-GAGAS Reports

Our review found that additional controls were needed when the organization issued non-GAGAS reports. In response to that review, the PMH-A was updated to emphasize that the OIG's expectation is that all EPA OIG assignments will comply with GAGAS or the *Quality Standards for Inspection and Evaluation*. Furthermore, the PMH-A established controls for the rare circumstances when management may decide that it is beneficial to issue a report or memorandum that does not comply with GAGAS or the *Quality Standards for Inspection and Evaluation*. These instances should be consistent with the requirements of the Inspector General Act of 1978, as amended, which states that each inspector general shall comply with standards established by the comptroller general of the

⁶ 2011 GAGAS Section 3.59.

United States for audits of federal establishments, organizations, programs, activities, and functions.

In FY 2019, the issuance of non-GAGAS reports significantly increased from the prior fiscal year. Specifically, in FY 2019, eight out of 44 reports, or 18.2 percent, were non-GAGAS, while in FY 2018, the EPA OIG only issued one such report out of 49, or 2 percent.⁷ The public and Congress trust the work the EPA OIG produces, in part, because we follow the standards of the profession. Those standards require that our work is done independently, supported by sufficient evidence, and performed with adequate supervision. Not following standards can undermine the trust and confidence that the public and Congress have in our work. The controls put in place with the issuance of the revised PMH-A will help further ensure that the EPA OIG is doing its work in accordance with accepted standards, which helps ensure public trust in the work performed by the organization. Further, on May 21, 2020, the OA&E acting assistant inspector general issued a memorandum to OA&E staff stating that not following standards would occur in “extraordinarily rare cases.”

Additionally, in FY 2019, four of the eight non-GAGAS reports did not contain required GAGAS language. If audit work is not done in accordance with GAGAS, the resulting report should include language indicating that the auditors did not follow those standards. According to the October 2019 PMH-A, all non-GAGAS reports that have a report number and are posted on the OIG’s public website must include a statement that GAGAS was not followed. An example is:

[T]his report does not constitute an audit done in accordance with generally accepted government auditing standards.

We were not able to determine why these reports were issued without this or a similar statement. However, in the first quarter of FY 2020, a non-GAGAS report that was issued without the required non-GAGAS statement was not sent through the quality assurance staff, who verify that reports comply with required standards. We believe further controls are necessary to ensure that under the rare circumstances that non-GAGAS reports are issued, those reports contain the required language. To that end, the OA&E acting assistant inspector general issued a memorandum in May 2020 to OA&E staff that:

- Clarified that all OA&E audits, evaluations, reviews, and similar projects—whether they are issued in compliance with standards, under a modified statement of compliance, or not in compliance with standards—must be reviewed by quality assurance personnel.
- Referred the OA&E to the PMH-A for specific guidance for non-GAGAS projects.

⁷ These non-GAGAS numbers exclude the *Semiannual Report to Congress*, as well as the management challenges and quality assurance reports.

Finally, we also found inconsistencies in how teams were counting the results from non-GAGAS assignments in the OIG's Performance Measurement Results System. Guidance was provided to OA&E staff to ensure consistent and accurate reporting of results.

Since guidance was provided to OA&E staff and the PMH-A was updated to incorporate controls in FY 2020, we make no recommendations in this report. We will review the implementation of these corrective actions as part of our FY 2020 internal quality assurance review.

Assistant Inspector General Response and OIG Assessment

The acting assistant inspector general for Audit and Evaluation agreed with the findings and committed to continued monitoring of the corrective actions already in place. While we make no recommendations in this report, we will review the implementation of the corrective actions as part of the next annual internal quality assurance review.

CMR Results for FY 2019

Report No.	Planning and execution	Communication	Supervision	Report quality	Timeliness	Post reporting/ data quality	Compliance review score
19-P-0001	12	10	23	25	15	7	92
19-P-0002	12	11	22	20	13	10	88
19-F-0003	12	13	21	25	15	10	96
19-P-0041	11.5	13	20	21	5	8	78.5
19-P-0045	10	12	25	25	10.5	10	92.5
19-P-0058	12	13	24	25	15	10	99
19-F-0086	12	13	19	25	5	10	84
19-P-0123	12	13	25	25	15	10	100
19-P-0146	12	13	24	25	14	10	98
19-P-0147	12	12	25	25	15	10	99
19-P-0155	12	13	25	25	13	8	96
19-P-0157	11.5	11	24	25	7	8	86.5
19-P-0158	12	13	25	24	15	10	99
19-P-0163	12	13	23	23	15	10	96
19-P-0168	12	12	24.2	24	14	10	96.2
19-P-0195	11	11	25	16	0	8	71
19-P-0198	12	13	25	24	7	10	91
19-P-0201	9.5	11.5	24.2	25	15	6	91.2
19-P-0207	12	13	23	25	15	8	96
19-F-0214	11	7	23	25	0	3	69
19-F-0215	11	8	23	25	0	1	68
19-P-0245	11.5	13	25	25	15	8	97.5
19-P-0251	12	13	25	24	15	10	99
19-P-0267	9	11	25	25	15	10	95
19-P-0275	12	12.9	24	25	15	10	98.9
19-P-0277	12	13	25	25	15	10	100
19-P-0278	12	13	25	25	10.5	10	95.5
19-P-0279	12	9	20	25	9	10	85
19-P-0283	12	13	23	23	10.5	10	91.5
19-P-0302	12	13	23	25	14.75	10	97.75
19-P-0307	12	13	25	25	15	10	100
19-P-0318	12	11.5	22	25	14.9	10	95.4
Average	11.63	12.00	23.58	24.19	11.66	8.91	91.95

Source: The OIG.

Note: The associated point values are presented in Table 1 of this report.

Reports Without CMRs in FY 2019

Report No.	Report title	Reason for no CMR
19-F-0004	Audit of U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years FY 2018 and 2017 Financial Statements	Contracted audit
19-N-0044	Crowe Tribe Public Water Systems Concerns	Non-GAGAS report
19-N-0070	US Chemical Safety and Hazard Investigation Board's Compliance with Fiscal Year 2018 Improper Payments Legislation and Guidance	Non-GAGAS report
19-N-0084	EPA Finalized a Study of the Historical Applications of Coal Ash as Structural Fill	Non-GAGAS report
19-N-0085	Management Alert - Destruction of a Document Used to Certify Security of EPA's Budget Formulation System	Non-GAGAS report
19-N-0087	Management Alert - Hotline Concerns over Region 9 Regional Administrator's Duty Station and Travel	Non-GAGAS report
19-N-0115	Management Alert - Certain Toxic Release Inventory Data Disclosed to the Public Are Inaccurate	Non-GAGAS report
19-N-0154	EPA Region 5 Needs to Act on Transfer Request and Petition Regarding Ohio's Concentrated Animal Feeding Operation Permit Program	Non-GAGAS report
19-N-0156	FY 2019 U.S. Chemical Safety and Hazard Investigation Board Management Challenges	Non-GAGAS report
19-N-0167	Quality Assurance Review of EPA OIG Audit completed in Fiscal Year 2018	Non-GAGAS report
19-N-0217	Management Alert-Certain Risk Communication Information for Community Not Up to Date for Amphenol/Franklin Power Products Site in Franklin, Indiana	Non-GAGAS report
19-N-0235	EPA Fiscal Year 2019 Management Challenges	Non-GAGAS report
19-P-0236	EPA Region 6 Quickly Assessed Water Infrastructure after Hurricane Harvey but Can Improve Emergency Outreach to Disadvantaged Communities	First report of multiple expected from assignment.
19-P-0252	EPA's 2017 Glider Vehicle Testing Complied with Standard Practices	Work evaluated as part of Report No.19-P-0168.

Source: The EPA OIG.