# Council of the
# INSPECTORS GENERAL
## on INTEGRITY and EFFICIENCY

# Good Practices for Quality Assurance Reviewers: Assessing Evidence of Supervisory Review

June 2021

# EXECUTIVE SUMMARY

## Objective

The purpose of this white paper is to share good practices related to assessing supervisory review.

## Approach

One of QAWG's goals is to identify and document good practices to help the OIG community improve QA functions. To implement this goal, QAWG, through FAEC, sent a survey in July 2019 to senior OIG audit leadership and managers to identify key areas of concern about the application or interpretation of performance audit standards. Supervisory review was identified as an area of concern. The QAWG formed a task team to identify and summarize good practices for assessing the evidence of supervisory review of audit work performed throughout an engagement.

A primary element for ensuring the quality of audits is proper supervisory review of the audit work performed throughout the engagement. The degree of supervisory review will vary depending on the size of the audit organization, skill level of the staff assigned to the audit, and complexity of the project.

The quality assurance (QA) reviewer should ensure that the organization's supervision authority is established and defined in the organization's policy and carried out during the assignment. The QA reviewer assesses whether the audit assignment maintained proper, appropriate, and timely supervision to ensure that the work was performed as directed; supports the conclusions and, if applicable, recommendations; and was performed in accordance with internal policy and procedures and *Government Auditing Standards* (GAS), commonly referred to as generally accepted government auditing standards (GAGAS) or the Yellow Book.

This white paper presents good practices that QA reviewers can use to assess the evidence of supervision in electronic and hard copy working papers for the timeliness, sufficiency, and quality of levels of management supervision and supervisory review. Some of the key methods that management uses to supervise their assignments, as well as good practices that QA reviewers identified to assess compliance with supervisory review are:

- Audit plan/program
- Meetings with team members
- Workpaper and procedure reviews
- Supervisory comments and notes
- Significant management meetings
- Findings and reporting

Although no standard requires the use of all or any of these practices, applying each of the identified good practices could help to consistently assess evidence of supervisory review. The QA reviewer should not base the assessment of supervisory oversight on one factor alone, but looks at a combination of several factors when assessing the extent of supervisory oversight.

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

# INTRODUCTION

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

## Purpose

This white paper presents good practices that QA reviewers can use to assess the evidence of supervisory review. It also addresses concerns the OIG community identified in the following areas:

- timeliness, sufficiency, and quality of the supervisory review
- levels of management supervision
- evidence of supervision in electronic and hard copy working papers

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

## Background

A primary element for ensuring the quality of audits is proper supervisory review of the audit work performed throughout the engagement. The QA reviewer assesses whether the audit assignment maintained proper, appropriate, and timely supervision to ensure that the work was performed as directed; supports the conclusions and, if applicable, recommendations; and was performed in accordance with internal policy and procedures and the *Government Auditing Standards* (GAS), commonly referred to as generally accepted government auditing standards (GAGAS) or the Yellow Book.[3]

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

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

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

## Supervisory Review

Supervision provides sufficient guidance and direction to auditors assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training. Evidence of supervisory review should reflect that the supervisor tracked the progress of the engagement, considered the competence of team members, addressed and assessed significant findings and issues that arose during the engagement, and identified matters for consultation or consideration.

Supervisory auditors plan, perform procedures, and direct audit engagements.[4] The authority lines for supervisory review vary depending on the size of the agency and the requirements identified in the agency's internal policies and procedures. Audit organizations use a number of titles for a supervisory auditor, including Assistant Inspector General for Audits (AIGA), Deputy Inspector General for Audits, Director of Audits, and Audit Manager.

## QA Review

The QA reviewer should ensure that the organization's supervision authority is established and defined in its policy and carried out during the assignment. The QA reviewer should gain an understanding of the audit organization's policies and procedures for documenting supervision. The degree of supervisory review will vary depending on the size of the audit organization, skill level of the staff assigned to the audit, and complexity of the project.

Figure 1 illustrates some of the key methods that management uses to supervise their assignments, as well as good practices that QA reviewers identified to assess compliance with supervisory review. Although no standard requires the use of all or any of these practices, applying each of the identified good practices could help to consistently assess evidence of supervisory review.

**Figure 1. Key Supervisory Review Methods for QA Assessment**
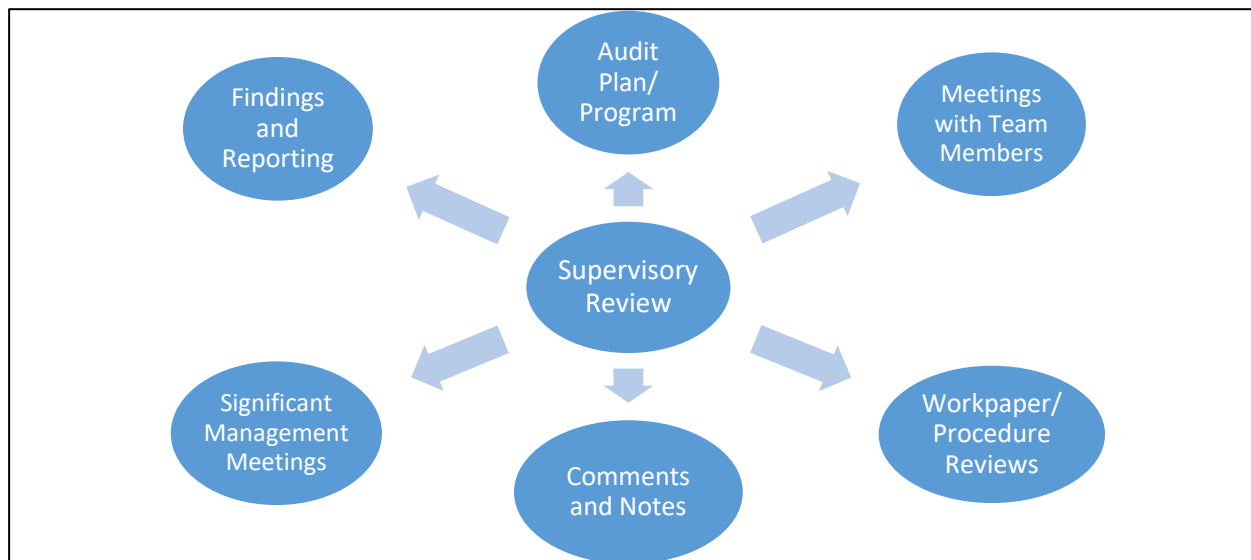


Source: QAWG analysis.

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[4] GAS, 4.10b.

## Criteria

*Government Auditing Standards* (GAS), paragraphs 5.36, 5.37, 8.87 and 8.88 require the audit organization to:

- Assign responsibility for each engagement to an engagement partner or director, clearly define and communicate the responsibilities to that individual.

- Establish policies and procedures that require engagement team members with appropriate levels of skill and proficiency in auditing to supervise engagements and review work performed by other engagement members.

- Properly supervise audit staff by providing sufficient guidance and direction to auditors assigned to the audit to address the audit objective and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.

*Government Auditing Standards* (GAS), paragraph 5.40 explains that supervisory review of the work performed includes consideration of whether:

- The work has been performed in accordance with professional standards and applicable legal and regulatory requirements.

- Significant findings and issues have been raised for further consideration.

- Appropriate consultations have taken place, and the resulting conclusions have been documented and implemented.

- The nature, timing, and extent of the work performed are appropriate and without need for revision.

- The work performed supports the conclusions reached and is appropriately documented.

- The evidence obtained is sufficient and appropriate to support the report.

- The objectives of the engagement procedures have been achieved.

# SIX GOOD PRACTICES FOR QA REVIEWERS

## 1. Audit Plan or Program

*Supervisory Review*

For each audit, the assigned auditors must prepare and document a written audit plan[5], referred to in this document as the audit program[6]. The auditors should update the program as necessary to reflect any significant changes to the plan made during the audit.[7] Written audit programs provide management with an opportunity to supervise audit planning and provide appropriate guidance.[8] The audit program is typically a stand-alone document that can be reviewed,

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[5] GAS, 8.03 and 8.33.

[6] GAS, 8.34.

[7] GAS, 8.33

[8] GAS, 8.35.

approved, and included as a workpaper in the standard audit workpaper file. Whether the audit workpapers are manual or in an automated workpaper environment, supervisory review of the audit program is required.

Supervisory review of audit programs ensure that auditors adequately plan the work necessary to address the audit objectives and comply with applicable standards. The timeliness of the supervisor's review depends on each agency's policy requirements and is generally determined by checking the date when the supervisor approved the audit program workpapers and procedures.

Then, as procedure steps change throughout the audit, the audit manager is typically responsible for identifying significant changes in scope that would require additional supervisory approval for the changes made to the audit program. This could again be identified with either supervisory sign-off on the updated audit program or a memo to the file identifying the changes made and the supervisor approving the memo. As a final check before report writing, the supervisor or a higher level of management may review and approve the audit program a final time to ensure that all procedural and scope changes have been identified and approved at the appropriate supervisory level before report issuance.

### QA Review

The QA reviewer assesses whether the audit program and significant changes received supervisory review to ensure that the nature and extent of the work was appropriate. The QA reviewer should consider the specific procedures required by the individual agency regarding documentation and timeliness and review to ensure that the supervisor approved the audit program as required by agency policy.

The QA reviewer can expect to see some formal sign-off or evidence of review from the supervisor of the detailed audit plan in the workpapers according to agency policy. The QA reviewer could verify the supervisor approved the audit program at the beginning of the planning phase and/or the beginning of fieldwork. Additionally, the QA reviewer can assess whether there is evidence that (a) the supervisor revisited the audit program after significant changes were made, and (b) the director and/or AIGA approved the original and final audit program to ensure the results of the evidence is likely to be sufficient and appropriate, and the scope and methodology are adequate to address the audit objective[9].

For example, once the steps are agreed to at the beginning of the audit, the audit program is added to the project file and approved via workpaper sign-off as a formal step in the audit. The QA reviewer could consider checking for supervisory approval of the original audit program, typically identified with a sign-off on the complete audit program, or a memo to the file that the plan has been reviewed and approved.

To ensure that all steps and possible objective/scope changes received supervisory approval during the audit, the QA reviewer could review the documentation for the audit program at the end of the planning phase and at the end of the audit fieldwork phase. The QA reviewer could review this document to ensure that senior management has approved it and then compare it to the procedure steps in the workpapers to ensure that no steps were added or removed after the final approval. Overall, the QA reviewer considers whether the supervisor justified and authorized any deviations from the audit program.

The absence of a written and approved audit program to guide the audit may be an indicator of

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[9]  GAS 8.35c, d

insufficient oversight. The QA reviewer should review whether the evidence of supervisory review includes guidance and direction to a written audit program. An audit organization's required supervisory documentation, accompanied by guidance to the audit planning, can demonstrate that proper supervisory review occurred to ensure that the work performed will address the objective and follow applicable requirements.

## 2.  Meetings with Team Members

*Supervisory Review*

Team meetings and emails are popular and effective methods for supervisors to communicate simultaneously to all audit team members and to track the progress of the audit. During these communications, any team member can raise significant findings and issues for further consideration, brainstorming, and debate. Likewise, managers and supervisors can communicate decisions and guidance and confirm that directions have been implemented.

Team meetings and emails can be documented in one workpaper, in multiple workpapers, or simply in a running list because there is no specific GAS requirement for how to record these activities.

*QA Review*

It is important for the QA reviewer to consider team meetings and email documentation when evaluating whether the staff were properly supervised, as required by GAS. This consideration is particularly important when there are relatively few audit documentation sign-offs or recorded supervisory comments, and when an audit organization's policies do not define a specific method or location for documenting significant decisions.

To assess supervision, the QA reviewer may take the following steps:

1. Consider the audit organization's policies to determine whether the organization has any requirements for using team meetings or emails as a supervisory tool. This includes gaining an understanding of any specific documents and decisions that must be documented, the levels of approval, and timeliness requirements for supervision in general.
2. Review the work papers and become familiar with the methods the audit team actually used.
3. Use professional judgment to determine if the documentation of that supervision is sufficient and appropriate.

Occasionally, a QA reviewer may not be able to discern from the audit organization's policies the levels of approval requirements or to identify the specific directives and consultations that must be documented. The QA reviewer may look at meeting minutes, notes, and emails to identify significant directives and consultations related to the following:

- starting, continuing, and terminating an audit

- revising audit objectives

- tracking audit progress

- ensuring that team members understand their instructions and that the work is carried out in accordance with the planned approach

- addressing significant findings and issues that arise during the audit, considering their significance, and modifying the planned approach appropriately

- consulting with team members or specialists on significant matters—for example, resolving contentious issues, brainstorming for fraud, and evaluating the sampling results

The QA reviewer could expect to see that team meetings and emails were documented and subsequently approved in accordance with the audit organization's policies for the timely completion of workpapers. The documentation should be prepared in sufficient detail to enable an experienced auditor with no previous connection to the audit to understand the nature, timing, extent, results, and source of the conclusions reached[10], and for the QA reviewer to assess how the documentation contributed to proper supervision of the audit.

In the context of understanding the audit organization's policies and procedures for documenting supervision, the QA reviewer could consider the contents of documents related to team meetings and emails to determine whether the staff were properly supervised. An audit organization's required supervisory documentation accompanied by team meeting minutes, notes, and emails can demonstrate that the supervisory auditor tracked the audit's progress and identified matters for further consultation or consideration.

## 3.  Workpaper and Procedures Reviews

### *Supervisory Review*

Supervisory review of workpapers and procedures steps is essential to ensure that the work is performed according to applicable standards and that the work supports the conclusions. Workpaper and procedure steps are evidence of the work performed and support the conclusions in the report. Therefore, supervisory auditors must properly supervise audit staff[11] and should document their review of the evidence that supports the findings, conclusions, and recommendations contained in the audit report before the report is issued.[12] Supervisory review helps to ensure that audit documentation is accurate and complete.

### *QA Review*

The QA reviewer can consider whether the evidence of supervisory review reflects a check for correct facts, figures, and dates to ensure the accuracy of the workpapers and procedures. The QA reviewer may also consider whether evidence of supervision included checking for clear and logical descriptions of the work performed—for example, describing the frequency of occurrence relative to the number of cases or transactions tested.

The QA reviewer can consider the following as effective supervision of workpapers and procedures:

- Evidence that supervisors complied with the agency's policies on the timeliness of supervisory review:

  o Supervisors completed their initial signoffs before moving to the next steps in the audit phase (e.g., planning to fieldwork, fieldwork to reporting).

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[10] GAS, 8.132.
[11] GAS, 8.87.
[12] GAS, 8.135c.

- o Supervisors who are responsible for providing direction on the audit are part of the team, and they reviewed the work.
- o Timestamps/dates of supervisory sign-offs were not all at one time (e.g., bulk approval).

- Supervisors ensured that workpapers and procedure steps are complete with the appropriate purpose, source, scope, and conclusions (PSSC), including objective, methodology (if applicable), conclusions, and sufficient support to understand the evidence. Evidence should also include supervisory review of the conclusions to ensure that valid support exists in the work performed.[13]

- Evidence that all workpapers are prepared in accordance with agency policies and procedures.

- Evidence that supervisors conducted some review based on agency's policies, including signing off as the second reviewer, if applicable.

- Critical information to understand the auditor's analysis is included, such as these examples:
  - o The PSSCs are complete and clear.
  - o The facts, figures, and dates are supported.
  - o The auditor's steps can be retraced using the audit evidence.
  - o The work performed as documented in the procedure steps addresses the purpose of the step.
  - o The auditor's logic and analysis are easy to follow.
  - o The cross-references (hyperlinks) link to the exact location in evidence to support the statements.
  - o The conclusions reflect and support the analysis of the evidence.

The QA reviewer may assess that the absence of a supervisory review of workpaper or procedure steps is an indicator of insufficient supervisory oversight. Supervision must include documentation of sufficient guidance while reviewing the work performed.[14] The QA reviewer pays attention to whether the evidence of supervisory review in workpaper and procedure steps ensured that significant judgments and conclusions were accurate, complete, and supported. An audit organization's required supervisory documentation, accompanied by thorough workpaper and procedure step reviews, can demonstrate that sufficient guidance and review of the work occurred.

## 4. Supervisory Comments and Notes

### *Supervisory Review*

Supervisory comments and notes are essential to verify that project guidance and supervisory oversight were conducted throughout the audit. In addition, the supervisory oversight through comments and notes is essential to ensure that the nature and extent of work performed was

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[13] GAS, 8.135c.
[14] GAS, 8.88 and 8.135c.

appropriate. GAS requires auditors to document supervisory review of the evidence that supports the audit report.[15]

Comments and notes flow from the author to the recipient and back to the author. Any level of staff can be allowed to author a comment or note to ask questions or ask for clarification. The author of the comment or note, or their supervisor, should have final approval to determine whether it was properly addressed. If the comments and notes originate from the supervisor level, the recipient should note when the review comment or note has been addressed, and the supervisor should note their review and approval of the response.

Ideally, the comment author places the review comment or note in the relevant workpaper or procedure step near the sentence or section in question. This provides the necessary context for the recipient when addressing the comment or note. Supervisory comments and notes should be kept in the permanent project file when the audit is closed to provide additional evidence that the audit staff was provided sufficient guidance and direction during the audit.

*QA Review*

During a QA review, the reviewer could check for the existence of supervisory comments and notes attached to procedure steps and workpapers. When assessing project supervision, the reviewer considers the timing and the extent of supervisory comments and notes in addition to other factors, such as workpaper sign-offs. (Addressing the timing of comments is discussed later in this section).

<u>Assessing the substance</u>

In the absence of policy, to assess the extent of supervisory review in comments and notes, the QA reviewer can determine whether substantive guidance was given to ensure the following:

- **The work was performed in accordance with applicable requirements**. For example, on a procedure step that requires the auditors to ask the audited entity to identify any previous engagements and implemented recommendations,[16] the supervisor added a comment and note requesting that the audit team create a step and perform a risk assessment to ensure that corrective action was taken.

- **The purpose of the step was completed, and the work supports the conclusion reached.** In the same example, a comment and note was created on the step stating that the conclusion lists only three of the five implemented recommendations provided by the audited entity and to address the remaining two.

The examples given reflect substantive review through supervisory comments and notes. The QA reviewer's professional judgment will determine whether the comments and notes were substantive in nature in the aggregate—whether the review consisted of facts, figures, and supported evidence, rather than simple grammatical errors and style preferences.

In addition to the substance of notes, the QA reviewer can determine whether the supervisor adequately reviewed and approved the comments and notes after the audit team documented how it addressed them. The QA reviewer would consider the comment and note in the previous example directing the audit staff to assess risk and create a step from the responses of previous

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[15] GAS, 8.135(c).
[16] GAS, 8.30.

engagements and look for evidence of a procedure step created to test the implementation of the corrective action. This evidence demonstrates to the QA reviewer that a comment and note was adequately addressed. Additionally, the QA reviewer could consider supervisory comment and notes as adequately addressed if the comment and note consisted of a question and the question was answered, or if the comment and note consisted of a directive for action and the action was taken.

<center>Verifying the integrity and approval flow</center>

The QA reviewer could verify the integrity of the comments and notes by considering the flow of approvals and ensuring that the recipient of the comments and notes is not approving or closing them out without addressing them. Additionally, reading the supervisory comment or note will enable the QA reviewer to determine the nature and relevance of the discussion to project oversight and may identify signs of missing or deleted comments or notes, such as noticing references made in comments, notes, or meeting minutes to other comments or notes that cannot be located.

<center>Assessing the timeliness</center>

The QA reviewer can determine if comments and notes were addressed within a reasonable amount of time. To assess timing, the QA reviewer would first consider the audit organization's policies to determine whether the organization has any requirements for comment and notes. If workpaper review timelines are in place, review comments should follow these timelines. For example, if policy states that a workpaper must be reviewed within 30 days, review supervisory comments and notes should also be addressed within 30 days. When assessing supervisory review, the QA reviewer includes review of the timeliness of comments and notes when assessing timely workpaper approvals.

In the absence of policy, the QA reviewer can still determine whether supervisory notes were provided in a timely way throughout the engagement. GAS requires the evidence of supervisory review to reflect that significant issues were addressed during the engagement.[17] Consequently, the QA reviewer can consider whether the supervisory notes were given during or around the time when the work was performed or signed off. The QA reviewer can consider if the work was performed during the planning phase and whether comment and notes were given during the planning phase to reflect that the supervisor reviewed the work to ensure that appropriate work will be performed during the planning phase or fieldwork phase. As an additional method to consider timeliness, the QA reviewer can verify that supervisory comments or notes were addressed and approved before the supervisor marked as reviewed the related workpaper or procedure step.

<center>Considering supervisory comments and notes</center>

The QA reviewer can consider supervisory comments and notes when analyzing audit supervisory oversight. Comments and notes demonstrate the extent and adequacy of the reviews and provide the QA reviewer with reasonable assurance that supervisory oversight occurred in a timely way throughout the audit. Projects without supervisory comments or notes are not indicative of insufficient supervisory oversight; however, projects with no comments or notes and with all workpaper sign-offs occurring over a few days could indicate a lack of proper supervisory review. The QA reviewer should not base the assessment of supervisory oversight on one factor alone, such as review comments or notes. The QA reviewer looks at a combination of

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[17] GAS, 5.24 and 5.36.

several factors, including sign-offs and review comments or notes, when assessing the extent of supervisory oversight. An audit organization's required supervisory documentation, accompanied by substantive comments or notes provided throughout the audit, can demonstrate that the work performed was reviewed thoroughly and timely to ensure that it was appropriate.

## 5. Significant Management Meetings

*Supervisory Review*

Supervisory review may occur through significant meetings with senior management, such as kick-off, design, go/no-go, and message agreement meetings. Senior management includes those individuals responsible for ensuring the sufficiency of evidence, findings, recommendations, and compliance with standards. This could include the AIGA, a designee, or the individual who is responsible for signing the audit report. It could also include other organizational stakeholders, as appropriate, including methodologists, counsel, and quality control. These management meetings ensure that the significant findings and issues that arose during the audit are assessed and addressed.

Meetings that are considered significant and can possibly be required with senior management, can do the following:

- Give specific direction on the objectives of the audit (i.e., kick-off meeting).
- Provide guidance on how the team should ensure that the objectives are achieved (i.e., design or audit program meeting).
- Identify issues for consideration (i.e., go or no-go meeting).
- Assess the significant findings, issues, and any other key decisions that arose during the engagement (i.e., a message meeting).

The type of documentation to support these meetings will vary by organization. Similar to team meetings, significant management meetings are typically documented in a variety of forms—such as one workpaper, multiple workpapers, or a running list in a table format. There is no specific GAS requirement for how the meetings are recorded because these activities are not required for an audit team to comply with professional standards.

*QA Review*

When conducting a QA review, it is important to look at the processes put in place by the audit organization to obtain evidence of supervisory review and determine whether these processes were followed. For reviews of significant management meetings, the QA reviewer may take the following actions:

- Review the organization's policies and procedures to determine how the organization should document management meetings and, when applicable, assess whether the team held and documented all of the required management meetings.

- Assess whether the management meetings and decisions were documented and reviewed within a reasonable time after the meeting to ensure that the guidance was captured accurately. Untimely documentation could cause difficulty in reconstructing conversations and implementing the direction given.

- Review the management meeting notes for supervisory guidance given to individual team members, and assess whether senior management decisions made in the meetings are reflected in the work performed.

- Review the checklists and forms documenting management meetings.

- Review the summary memos that document the meeting participants to: (1) ensure that the appropriate levels of management attended to support key decisions, and (2) identify and explain the key decisions made, who made them, and why they were made.

- Review saved email correspondence with management showing reinforcement of meeting results, as well as review and approval of the work performed and key documents.

Although the type of documentation to support these meetings will vary by organization, the QA reviewer should ensure that the documentation meets the office policies and procedures and is in sufficient detail for the evidence to demonstrate the management decisions and that feedback occurred. The QA reviewer should not base the assessment of supervisory oversight on one significant management meeting alone. An audit organization's required supervisory documentation, accompanied by a variety of evidence on significant management meetings, can demonstrate that appropriate supervision took place to provide direction and assess significant findings.

## 6. Findings and Reporting

*Supervisory Review*

A finding is an issue that may involve a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or instances of fraud. Reporting of the findings should include applicable elements such as the criteria, condition, cause, and effect or potential effect.[18]

The required contents of an audit report include the following:[19]

- objectives, scope, limitations or impairments, and methodology

- audit results, including findings, conclusions, and recommendations, as appropriate

- a summary of the views of responsible officials

- the nature of any confidential or sensitive information omitted, if applicable

*QA Review*

Quality reviews of findings and the report are essential to ensure that the audit documentation supports the conclusions and that the audit objective is achieved. The QA reviewer assesses whether the documentation to support the findings includes supervisory review of significant findings that arose during the audit and whether the supervisory review ensured that the report included the identified issues. Additionally, the QA reviewer assesses whether the supervisory review was conducted prior to the report being issued and ensures that the evidence in the project file supports the findings, conclusions, and recommendations in the audit report.[20]

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[18] GAS, p. 214.
[19] GAS, 9.10 and 9.12.
[20] GAS, 8.135c.

The QA reviewer could assess whether the supervisory review ensured that the nature and extent of the issues found in the work performed were clearly described in the findings. Also, the QA reviewer could ensure that the findings in the report address the objective of the audit and that significant improper practices were revealed. As part of reviewing an audit, the QA reviewer can consider the following as effective supervision for findings:

- evidence that there were meetings and direction given with appropriate levels of supervisors on findings and issues

- evidence that the supervisor reviewed the elements of the findings developed in the project file

- the initial date stamp of a supervisory review, which should comply with policies and procedures (However, the dates of initial sign-off should be done before drafts and the final report version move on to the next level or version of the report.)

- evidence, such as sign-offs, that the supervisor reviewed and approved procedure steps and relevant work papers that support findings in the report

The QA reviewer could assess if the required contents were included in the audit report. As part of reviewing an audit, the QA reviewer could consider the following as effective supervision for reporting:

- evidence that the supervisor reviewed the draft and final report

- evidence that the team addressed any supervisory comments and concerns related to findings and that the supervisor cleared them before the report is issued

- evidence that the team addressed any direction from the supervisor related to the report (for example, comments, notes, edits)

- evidence that the audit report includes all content as required by GAS, Chapter 9, including support for statements made or omitted in the report

- evidence that the quality and quantity of evidence in the report supports the findings, and that the recommendations directed at resolving the findings are clearly stated

- evidence that the team followed the process to verify the report for accuracy. For example, the key facts, figures, and findings in the report were indexed by the team and cross referenced and cleared by an independent reviewer.[21]
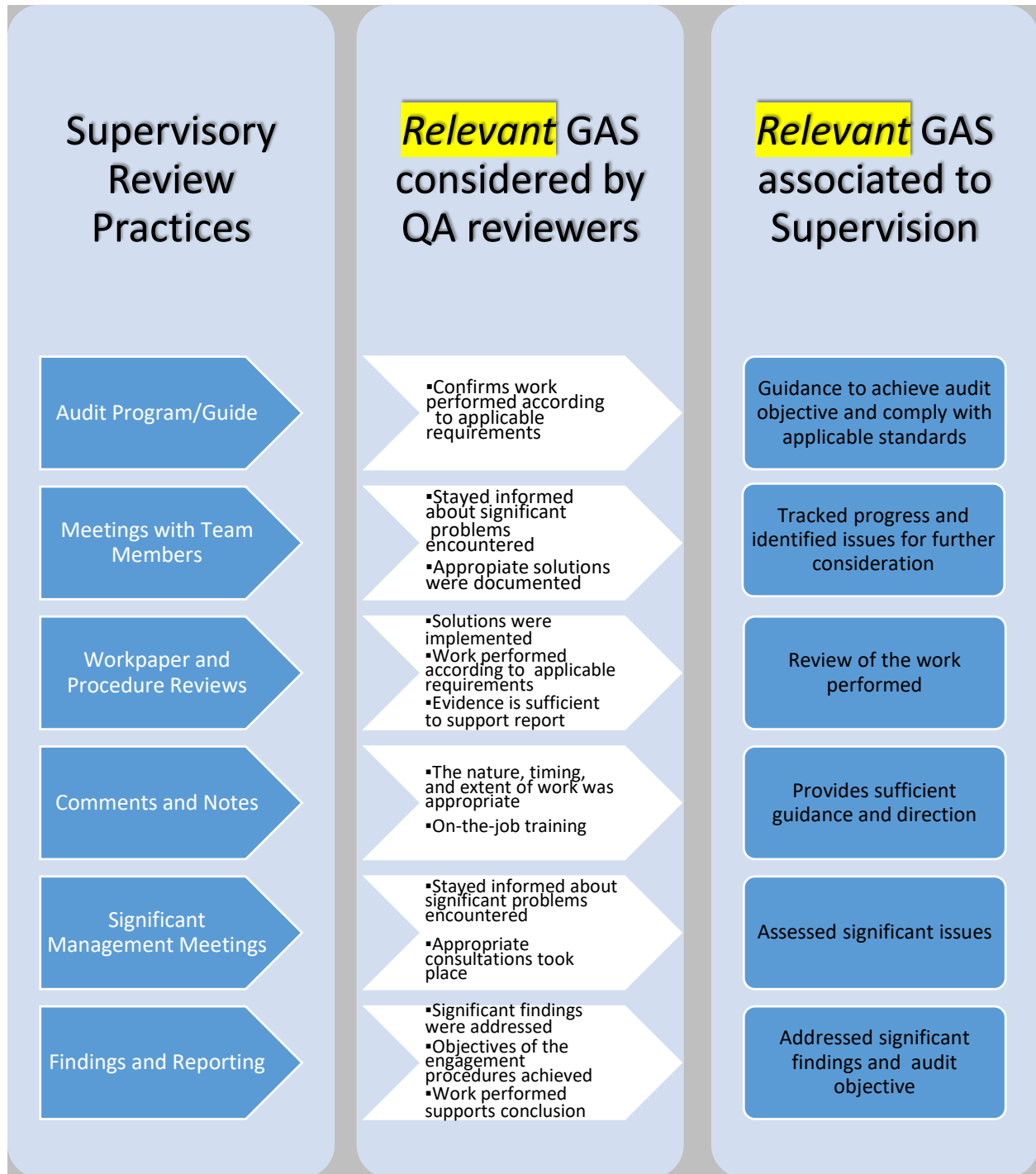
Audits that do not result in findings or issued reports[22] are not indicative of insufficient oversight if limitations on the audit resulted in the audit not being completed or no reported findings. However, findings in issued reports are typically an expected outcome for an audit. Although the QA reviewer should not base the assessment of the sufficiency of supervisory review on only one factor, supervisory review of significant findings and reporting of those findings could demonstrate that appropriate supervision occurred to address significant findings and ensure that the audit objective was achieved.

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[21]  GAS 9.17a
[22]  Per GAS, 5.25, if an engagement is terminated before it is completed and an audit report is not issued, the auditors should document the results of the work to the date of the termination and why the engagement was terminated. Otherwise, GAS, 9.06 requires the auditors to issue an audit report communicating the results of each completed performance audit.

# APPENDIX A: QUALITY ASSURANCE SUPERVISORY REVIEW REFERENCE SHEET

| Supervisory Review Practices | *Relevant* GAS considered by QA reviewers | *Relevant* GAS associated to Supervision |
|---|---|---|
| Audit Program/Guide | ▪Confirms work performed according to applicable requirements | Guidance to achieve audit objective and comply with applicable standards |
| Meetings with Team Members | ▪Stayed informed about significant problems encountered<br>▪Appropiate solutions were documented | Tracked progress and identified issues for further consideration |
| Workpaper and Procedure Reviews | ▪Solutions were implemented<br>▪Work performed according to applicable requirements<br>▪Evidence is sufficient to support report | Review of the work performed |
| Comments and Notes | ▪The nature, timing, and extent of work was appropriate<br>▪On-the-job training | Provides sufficient guidance and direction |
| Significant Management Meetings | ▪Stayed informed about significant problems encountered<br>▪Appropriate consultations took place | Assessed significant issues |
| Findings and Reporting | ▪Significant findings were addressed<br>▪Objectives of the engagement procedures achieved<br>▪Work performed supports conclusion | Addressed significant findings and audit objective |

Source: QAWG Analysis

# APPENDIX B: GLOSSARY

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

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

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

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

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

**Fieldwork Phase:** The fieldwork requirements for performance audits relate to planning the audit; conducting the engagement; supervising staff; obtaining sufficient, appropriate evidence; and preparing audit documentation. (GAS 8.02)

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

**Performance audits:** Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to, among other things, improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. In a performance audit, the auditors measure or evaluate the subject matter of the audit and present the resulting information as part of, or accompanying, the audit report. (GAS, 1.21 and 8.14)

**Planning Phase:** The portion of the audit to determine engagement objectives, scope, and methodology; establish criteria to evaluate matters subject to audit; or coordinate the work of the other audit organization. (GAS, 4.11a)

**Senior Management:** Auditors in these roles plan engagements, perform engagement procedures, or direct or report on engagements. Additionally, they may be responsible for reviewing engagement quality prior to issuing the report, for signing the report, or both.

This could include the AIGA, a designee, or the individual who is responsible for signing the audit report. (GAS 4.11c)

**Supervisory Auditor:** Auditors who plan engagements, perform engagement procedures, or direct engagements. Work situations for these auditors are characterized by moderate levels of ambiguity, complexity, and uncertainty. The supervisory auditor role necessitates at least an intermediate level of proficiency. (GAS, 4.10b)

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

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

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

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

**Quality Control:** The OIG's leadership and policies and procedures designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its engagement work, and cost-benefit considerations. (GAS, 5.02, 5.03)

**U.S. Government Accountability Office's (GAO)** *Government Auditing Standards,* **2018 Revision (April 2021), GAO-21-368G:** This publication (known as the **Yellow Book** or **GAS**)

prescribes professional standards that provide a framework for auditors to perform high-quality audit work with competence, integrity, objectivity, and independence to help improve government operations and services. These professional standards are often referred to as generally accepted government auditing standards (**GAGAS**).[23]
https://www.gao.gov/assets/gao-21-368g.pdf

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

# APPENDIX C: LIST OF CONTRIBUTERS

| Team Member | Office of Inspector General |
| --- | --- |
| Vera J. Garrant (Co-lead) | Board of Governors of the Federal Reserve System/Consumer Financial Protection Bureau |
| Arinee Tackoor (Co-lead) | Export-Import Bank of the United States |
| Ed Gold (Editor) | Amtrak |
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| Sara Margraf | Special Inspector General for Afghanistan Reconstruction |
| Leonard Meade | Department of Transportation |
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| Sandra Moses | Federal Deposit Insurance Corporation |
| Louise Nelson | National Science Foundation |
| Lazerick Poland | U.S. Postal Service |
| Karen Scott | National Science Foundation |