
Appendix F

Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm – 2011 Revision to GAS

Note: 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 principal auditor. Section 4(b) of the Inspector General Act of 1978 (5 U.S.C. Appendix) 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 Inspectors General on Integrity and Efficiency Audit Committee has determined that it is prudent to give this area appropriate coverage as part of the external peer review. IPA monitoring conducted by an audit organization 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 audits or attestation engagements where the reviewed audit organization served as the principal 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, appendix D, or appendix E, as applicable. It is also not intended that the peer review team review the IPA’s work.

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: <ul style="list-style-type: none"> • Qualifications and experience of the IPA? • Qualifications and experience of the proposed staff? • Technical approach? • Independence of the IPA, taking into consideration any existing, ongoing, or planned nonaudit services for the OIG or the OIG’s agency? • Description of the IPA’s system of quality control? • IPA’s latest peer review report(s)? Note: 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. • For 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. • References from other clients (e.g., other federal audit organizations)? • Audit scope and objectives? • Requirement to perform the audit in accordance with GAGAS and applicable statutory, regulatory, and Office of 				

	Yes	No	N/A	Remarks and Findings
<p>Management and Budget requirements?</p> <ul style="list-style-type: none"> • Establishment of milestones for completion of the audit (or major portions) and the submission of deliverables? • Provisions for the submission and review of deliverables and access to the audit documentation by the audit organization and the Government Accountability Office? • Other reports as appropriate, such as a report by a cognizant OIG for a quality assurance review of a Single Audit? 				
<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 and the <i>GAO/PCIE Financial Audit Manual</i>, Section 650.¹)</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:</p> <ul style="list-style-type: none"> • No association with the IPA’s report – the IPA provides the report directly to the audited entity. • Association with the IPA’s report – expression of no assurance in the audit organization’s transmittal of the IPA’s report to the audited entity. • 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. • Audit organization issues a report that refer to the IPA’s report and indicates a division of responsibility (in this situation, the peer review team should consider completing appendix C, D, or E, as applicable, in addition to this appendix). 				

¹ 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
<ul style="list-style-type: none"> • Audit organization issues a report that expresses concurrence with the IPA's report and conclusions (in this situation, the peer review team should consider completing appendix C, D, or E, as applicable, in addition to this appendix). • Audit organization issues a report that does not mention the IPAs work (in this situation, the peer review must complete appendix C, D, or E, as applicable). 				
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?				
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: <ul style="list-style-type: none"> • Participating in the audit entrance and exit conferences, and periodic status meetings. • Reviewing the IPA's audit planning documents for consistency with the contract and GAGAS, and resolving any inconsistencies. • Reviewing contract deliverables for consistency with the contract requirements and GAGAS in a timely manner. • Reviewing the IPA's audit documentation and reports for adherence to GAGAS. • Monitoring adherence to milestones, as needed. • Monitoring significant audit and accounting issues. • Performing supplemental audit tests, if warranted by the degree of responsibility the audit organization accepted as identified in step 2.1. 				

	Yes	No	N/A	Remarks and Findings
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				