

**OIG'S AUDIT QUALITY CONTROL
POLICIES AND PROCEDURES**

OIG UNDER REVIEW & PERIOD REVIEWED _____

	<u>Name</u>	<u>Title</u>	<u>Phone Number</u>
PERSON(S) WHO COMPLETED FORM	_____	_____	_____
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DATE(S) FORM COMPLETED _____

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PURPOSE AND INSTRUCTIONS

This questionnaire is designed to obtain general information about your audit organization and information about its internal quality control system. It contains a separate section for each of the standards contained in *Government Auditing Standards* with specific questions concerning your policies and procedures designed to assure compliance with the standards.

In responding to these questions, please briefly describe your policies and procedures relevant to the area and also provide a reference to your written documentation of the policies and procedures, including any relevant checklists or forms that are required to be completed. If you have an audit manual or similar document, your answers should be cross-referenced to this and other supplemental documents as appropriate. The team leader will let you know if he or she would prefer that you submit the documentation with the completed questionnaire prior to the team arriving on site, or whether it should be provided when the team arrives on site.

The quality control standard in *Government Auditing Standards* acknowledges that quality control systems and the extent of documentation will vary among audit organizations. The standards do not require that audit organizations adopt written internal policies relative to each standard. Indeed, the policies and procedures designed to ensure compliance with the general standards will sometimes also ensure compliance with fieldwork and reporting standards. For example, internal training courses are a means to ensure maintaining a qualified staff as well as compliance with specific standards. Also, some fieldwork and reporting standards are sufficiently clear and comprehensive that a separate internal policy is unnecessary. On occasion, an OIG may purposely not establish a formal internal policy, because it believes individual auditor judgment is the best mechanism for implementing a particular audit standard.

Although the audit standards do not require written formal internal policies for most specific fieldwork and reporting standards, OIGs often develop such policies to assure that the standards are followed and/or to encourage uniformity or efficiency. To the extent such internal policies have been developed and adopted, the external review team should consider them to be part of the OIG's quality control system. In the absence of written internal policies and procedures, the external review team will need to consider the degree to which there are informal policies and procedures, identified widely used practices and, how the standards were addressed on individual audits.

If the OIG has a general policy statement that incorporates the specific general fieldwork and reporting standards, please so indicate, with appropriate reference. If there are specific policies or procedures relating to any of the standards described herein, please describe these also, as appropriate. Most of the questions ask you to provide your agency's policies and procedures, which require that specific things be done that are required by the standards. **In answering these questions, it is also important to describe any control procedures you have in place to ensure that these things are done.**

The citations in parentheses are references to applicable auditing standards. References to GAS are to the *Government Auditing Standards* with the citations indicating chapter and paragraph numbers. References to AU are to the U.S. Auditing Standards section of *Professional Standards*, and to AT are to the Attestation Standards, issued by the American Institute of Certified Public Accountants (AICPA). Citations indicate section and paragraph numbers.

AUDIT ORGANIZATION'S QUALITY CONTROL POLICIES AND PROCEDURES

1. QUALIFICATIONS

Staff Qualifications

- 1.1 What policies and procedures has your agency established to ensure that its audits are conducted by audit staff that collectively has the skills needed for the scope of the audit work conducted? Include descriptions and references for your agency's established hiring policies, policies and procedures for assigning staff to audits, staff appraisals, and other relevant policies and procedures. (GAS 3.3)
- 1.2 How does your agency determine whether consultants hired to do work have the skills needed to perform the required task (e.g., a procedure for reviewing consultants' education, experience, or performance before hiring decisions are made)? (GAS 3.5, 3.9)

Continuing Education and Training

- 1.3 What are the continuing education and training requirements for your agency's audit staff? Describe the system your agency has established to ensure that its auditors meet the continuing education and training requirements it has established. (GAS 3.6-3.9)

2. INDEPENDENCE

Personal Impairments

- 2.1 How does your agency determine whether its auditors, other Federal auditors, and non-Federal auditors have any personal impairments related to the audits they conduct, including nonaudit services? (GAS3 3.15-3.26)
- 2.2 How does your agency handle situations in which an auditor discloses that a personal impairment would affect his or her ability to work on an audit and report the findings impartially? (GAS3 3.15-3.17)

External Impairments

- 2.3 What are your policies and procedures for detecting and handling external impairments? (GAS3 3.27, 3.28)

Organizational Impairments

- 2.4 To whom in the organization does the IG report to administratively? (GAS3 3.29)

Responses and References

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

- 2.5 How does the OIG ensure organizational independence from the audited entity when reporting:
- a. Externally to third parties? (GAS3 3.30-3.30.4)
 - b. Internally to management? (GAS3 3.30.5-3.30.10)

3. DUE PROFESSIONAL CARE

- 3.1 What are your policies and procedures for requiring staff to follow all applicable standards in conducting audits? How is the requirement to follow *Government Auditing Standards* communicated to each audit staff member? (GAS 3.27)
- 3.2 What are your policies and procedures for situations where an applicable standard is not followed? (GAS 3.27)
- 3.3 What are your procedures for determining that one or more standards are not applicable to a particular audit? Please describe who makes the decision, whether it is reviewed, and whether you have any guidance for doing this. (GAS 3.27)
- 3.4 When it is determined that certain standards do not apply to a particular audit, what are your agency's policies and procedures for requiring that this determination be documented in the working papers? (GAS 3.27)

4. QUALITY CONTROL

- 4.1 What system has your agency established to ensure that it is following adequate audit procedures, and has adopted and is following *Government Auditing Standards*? (NOTE: Because this questionnaire in its entirety is designed to answer this question, please respond by describing any internal quality review program that you have.) (GAS 3.31-3.36)

5. AUDIT PLANNING

- 5.1 Do you have documented procedures for planning audit engagements and, if so, where are those procedures found? If not, briefly describe the planning procedures followed in practice. (AU 311.01-311.10; GAS 4.6, 6.2-6.19)

Responses and References

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

Responses and References	
<p>e. Significance and the needs of potential users of the report? (GAS 6.7-6.8)</p> <p>f. Obtaining sufficient background information on the organization, program, activity, or function being audited? (GAS 6.9-6.10)</p> <p>g. Legal and regulatory environment? (GAS 6.5)</p> <p>h. Management controls? (GAS 6.5)</p> <p>i. The criteria to evaluate the subject matter of the audit? (GAS 6.11)</p> <p>j. Identification and follow-up on significant findings and questioned costs from prior audits that affect the current audit objective? (GAS 6.12-6.13)</p> <p>k. Skill, knowledge and availability of the personnel to staff the assignment? (GAS 6.17-6.18)</p> <p>l. Coordination with other auditors, including work already conducted and work currently planned, when appropriate? (GAS 6.14-6.16)</p> <p>m. Potential sources of data and its validity? (GAS 6.53-6.62)</p> <p>5.3 Is a written audit program used on all audit engagements? Who is required to review and approve the audit program, and how is this approval documented? (AU 311.05; GAS 6.19)</p> <p>5.4 If an internal audit function (outside of the OIG) exists at the auditee organization, do your policies and procedures require that:</p> <p>a. The OIG auditor considers the procedures performed by the internal auditors, if any, in determining the nature, timing, and extent of his/her own audit procedures? (AU 322.01; GAS 6.44)</p> <p>b. When the internal auditor's work impacts the OIG auditor's procedures, the competence and objectivity of the internal auditor be considered, and that the OIG auditor examine evidence on a test basis and also perform tests of some of the work performed by the internal auditor? (AU 322.09-.26; GAS 6.15)</p>	

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

Responses and References

c. When the internal auditors provide direct assistance to the auditor, the work is supervised and tested as appropriate, and that any judgments are those of the independent auditor? (AU 322.27)

5.5 If OIG auditors use the work of another independent auditor, do your policies and procedures require the auditors to perform procedures to provide a sufficient basis for that reliance? (GAS 6.15)

5.6 Do your procedures include:

- a. Inquiring about the professional reputation and standing of the other auditor? (AU 543.10)
- b. Obtaining representation from the other auditor regarding independence? (AU 543.10)
- c. When the audit report will not make reference to the work of the other auditor, are additional steps performed to obtain satisfaction regarding the other auditor's examination? (AU 543.12)

5.7 What are your policies and procedures for identifying the need for and use of internal and/or external consultants? (AU 311.10, GAS 6.17)

6. SUPERVISION

6.1 What are your policies and procedures for ensuring that auditors and others (including internal and external consultants and specialists) receive appropriate guidance and effective supervision during the performance of the audit? (AU 311.11-14; GAS 6.22-25)

6.2 Do you have policies and procedures for the following aspects of supervision:

- a. Informing assistants of their responsibilities and the objectives of the procedures they perform? (AU 311.12; GAS 6.23-24)
- b. Ensuring that staff members are aware of the procedure(s) to resolve and document differences of opinion concerning accounting and auditing issues? (AU 311.14)

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

- 6.3 Do your policies and procedures require review of the work performed? Who conducts the review(s)? What is the purpose of the review, i.e., what do the reviewer's check? (AU 311.13; GAS 6.23-25.)
- 6.4 Do your policies and procedures require supervisory reviews to be documented in the working papers? (AU 339.05; GAS 4.37 6.64)

7. EVIDENCE AND WORKING PAPERS

Sufficient, Competent, and Relevant Evidence

- 7.1 How does your agency ensure that its audit findings and conclusions are supported by sufficient, competent, and relevant evidence? (AU 326.01; GAS 6.46)
- 7.2 Do your policies and procedures require written representations about the validity of evidence be obtained from officials of an audited entity? (AU 333.02; GAS 6.55)

Assessing the Reliability of Computer-Processed Data

- 7.3 Do you have policies and procedures for determining whether to assess the relevance and reliability of computer-processed data that are to be used during an audit? (AU 326.12, GAS 6.62)
- 7.4 What policies and procedures has your agency established for assessing the reliability of computer-processed data? (GAS 6.62)

Working Papers

- 7.5 What are your policies and procedures for preparing and maintaining working papers, including those addressing the safe custody and required retention of those working papers? (AU 339.08; 6.63-6.65)
- 7.6 Are there different policies and procedures governing the use of electronic working papers?
- 7.7 Do your policies and procedures require working papers (electronic or paper) to: (AU 339.01-.05, GAS 4.34, 6.19-6.20, 6.64)
 - a. Contain an audit program cross-referenced to the working papers?

Responses and References

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

- b. Contain the objective, scope, methodology, and results of the audit?
- c. Contain sufficient information to document the work performed and to support significant conclusions and judgements?

8. INTERNAL CONTROL

Financial Statement Audits

- 8.1 Do your policies and procedures require obtaining an understanding of each of the elements of the internal control structure (the control environment, accounting system, and control procedures) and whether they have been placed in operation? For audits of financial statements of periods beginning on or after 1/1/97, the auditor is required to obtain an understanding of the five components of internal control (control environment, risk assessment, control activities, information and communication and monitoring) by performing procedures to understand the design of the controls relevant to an audit. (AU 319.19, 319A.16)
- 8.2 How is the understanding of the control structure to be documented? (AU 319.44, 319A.26)
- 8.3 Do your policies and procedures require assessing control risk in terms of financial statement assertions and (where applicable) compliance with laws and regulations? (AU 319.45, 319A.29; GAS 4.25)
- 8.4 When seeking a further reduction in the assessed level of control risk for certain financial statement assertions, do policies and procedures require considering whether additional sufficient evidential matter is available, and whether it would be efficient to perform the tests of controls to obtain it? (AU 319.61, 319A.43)
- 8.5 When assessing control risk below the maximum, do your policies and procedures require: (AU 319.48, 319A.30)
 - a. Identifying specific internal control structure policies and procedures relevant to specific assertions or objectives of internal control?
 - b. Performing tests of controls to evaluate the effectiveness of such policies and procedures?

Responses and References

AUDIT ORGANIZATION'S QUALITY CONTROL POLICIES AND PROCEDURES

- 8.6 How is the basis for conclusions about the assessed level of control risk to be documented? (AU 319.57, 319A.39)

Performance Audits

- 8.7 How does your agency determine the need to assess an entity's applicable management controls to satisfy an audit's objectives? (GAS 6.39, 6.42)
- 8.8 What are your policies and procedures for assessing the presence, effectiveness, or adequacy of an audited entity's management control structure? (GAS 6.42-6.45)

9. LEGAL AND REGULATORY REQUIREMENTS

Financial Statement Audits

- 9.1 For determining compliance with laws and regulations in financial audits, do your policies and procedures require that:
- a. The auditor identify the pertinent laws and regulations and determine which of those laws and regulations could, if not observed, have a direct and material effect on the financial statements? (GAS 4.15)
 - b. The auditor design audit procedures to provide reasonable assurance of detecting errors, irregularities, or noncompliance, which may be material to the financial statements or the results of a financial related audit? (GAS 4.12)
 - c. The auditor be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements and, if evidence indicates that such acts may have occurred, to perform procedures to determine if they did? (GAS 4.12)

Performance Audits

- 9.2 How does your agency determine whether a performance audit should assess an entity's compliance with applicable laws and regulations to satisfy the audit's objectives? (GAS 6.26)
- 9.3 What are your policies and procedures for designing steps and procedures to provide reasonable assurance of detecting abuse or illegal acts that could have a significant impact on an audit's objectives? (GAS 6.37)

Responses and References

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

9.4 What policies or procedures do you have for assuring that audit staff members are alert to situations or transactions that are indicative of illegal acts or abuse? (GAS 6.26)

All Audits

9.5 What are your policies and procedures for requiring auditors to consult with legal counsel when questions arise about the application or interpretation of laws and regulations? (GAS 4.15, 6.37)

10. REPORTING STANDARDS

All Audits

10.1 Does your agency include a statement in its audit reports that the audit was made in accordance with generally accepted government auditing standards? (GAS 5.11, 7.24)

10.2 Do you have policies and procedures requiring a written report on compliance with laws and regulations and internal control which includes the following:

- a. A description of the scope of testing of compliance with laws and regulations and internal controls? (GAS 5.15-5.17)
- b. A statement about whether the scope of the compliance and internal control testing provided sufficient evidence to support an opinion on compliance or internal controls? (GAS 5.17)
- c. The results of those tests including (1) identification of all irregularities, illegal acts except those that are clearly inconsequential, (2) other material noncompliance, and (3) reportable conditions, including (for financial statement audits only) identification of those that are individually or in the aggregate considered to be material weaknesses? (GAS 5.15, 5.27, 7.26-27, 7.34-7.37)

10.3 Do your policies and procedures require that the reporting of findings of noncompliance described in 10.2.c. above and reportable conditions comply with the *Government Auditing Standards* Chapter 7 standards on (1) report contents (pertaining to objectives, scope and methodology, audit results and views of responsible officials) and, as applicable, (2) report presentation? (GAS 5.19, GAS Chapter 7)

Responses and References

**AUDIT ORGANIZATION'S QUALITY CONTROL
POLICIES AND PROCEDURES**

10.4 Do your policies and procedures require other nonmaterial instances of noncompliance and nonreportable conditions (financial statement audit only), not disclosed in the audit report, to be reported in a separate communication to the audited entity? (GAS 5.20, 5.28,7.29).

10.5 What are your policies and procedures for issuing audit reports where pertinent data is prohibited from disclosure? (GAS 5.29-5.31, 7.47-7.49)

10.6 What policies and procedures have been established for timely distribution of your agency's audit reports? (GAS 5.32-5.36, 7.66-7.69)

Financial Audits

10.7 Do your policies and procedures include a requirement to follow AICPA reporting standards, including SAS 58 and 60? (AU 508.01-508.85, 623.01-623.34; GAS 5.2)

10.8 What are your policies and procedures that assure that applicable reporting standards are followed in financial related audits? (GAS 5.36-5.37)

11. AUDIT FOLLOW-UP PROCESS

11.1 What are the OIG policies and procedures for tracking/monitoring that agency officials' timely response, resolution, and closeout of the recommendations?

11.2 What are the Agency policies and procedures for tracking/monitoring its officials' timely response, resolution, and closeout of the recommendations?

Responses and References