

Section 2: Getting Ready, OSM, MOU, and Appendix A

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



March 2009
(Updated November 2012 - See inside
of cover for additional details)

Getting Ready

Check CIGIE audit organization peer review (PR) schedule

- Confirm End Date is not > 3 years since last PR end date
- First PR? End date is not > 3 years since beginning GAS work

Identify OIG liaison for receiving OIG

- Quality control manager, for example, plus an alternate

OIG Liaison takes an active interest in a timely start

- Establish contact with reviewing OIG
- Ask about planned start date
- Share documentation method and security clearance level
- Make arrangements for access to prior peer review WPs
- **Gather materials that will be requested**

Getting Ready

Gather materials that will be requested

Annual audit plan(s)

Semiannual reports

List of audits scheduled, cancelled, terminated and completed

- For completed audits, also identify by GAS engagement type, GAS version, and whether principal auditor is OIG or IPA

Completed Appendix A, Section 1

Policies, procedures, checklists, forms

Documentation for terminated audits

Getting Ready

Gather materials that will be requested (continued)

Organization Chart

Staff Roster (including series and grades)

Professional designations, advanced degrees/special skills

CPE summary for most recent 2-year period

List and description of all nonaudit services for 3 years

Getting Ready

Gather materials that will be requested (continued)

Prior external peer review report/letter of comment

- Documentation of distribution
- Documentation of corrective action implementation

Quality assurance reports:

- List of those issued in past 3 years
- Copies of those issued in most recent year, including annual analysis/summary of monitoring required by GAS 3.95

Ensure audit documentation for reports issued in the 1-year scope is retrievable within 2 working days

- Don't alter records

Getting Ready

Questions?

External Peer Review Guide

<http://www.ignet.gov/pande/audit1.html#guide>

- 2012 CIGIE Audit Quality Control and Assurance Policy and Guidelines March 2009, Updated Nov 2012 (.doc format)
- 2012 CIGIE Audit Quality Control and Assurance Policy and Guidelines March 2009, Updated Nov 2012 (.pdf format)
- Appendix A 2011 Revision to GAS, Nov 2012 (.doc format)
- Appendix A 2011 Revision to GAS, Nov 2012 (.pdf format)
- Appendix A March 2009 (.doc format)
- Appendix A March 2009 (.pdf format)
- Appendix B 2011 Revision to GAS, Nov 2012 (.doc format)
- Appendix B 2011 Revision to GAS, Nov 2012 (.pdf format)
- Appendix B March 2009 (.doc format)
- Appendix B March 2009 (.pdf format)
- Appendix C March 2009 (.doc format)
- Appendix C March 2009 (.pdf format)
- Appendix D March 2009 (.doc format)
- Appendix D March 2009 (.pdf format)
- Appendix E 2011 Revision to GAS, Nov 2012 (.doc format)
- Appendix E 2011 Revision to GAS, Nov 2012 (.pdf format)
- Appendix E March 2009 (.doc format)
- Appendix E March 2009 (.pdf format)
- Appendix F 2011 Revision to GAS, Nov 2012 (.doc format)
- Appendix F 2011 Revision to GAS, Nov 2012 (.pdf format)
- Appendix F March 2009 (.doc format)
- Appendix F March 2009 (.pdf format)
- Illustrative MOU Nov 2012 - Section 3 (.doc format)
- Illustrative MOU Nov 2012 - Section 3 (.pdf format)
- Audit Peer Review Training: Bob Taylor: Feb 2013 (.pdf format)
- Audit Peer Review Training: Kieu Rubb: Feb 2013 (.pdf format)
- Section 2 and Appendix A Audit Peer Review Training: Allan Sherman: Feb 2013 (.pdf format)
- Questionnaire for Audit Peer Review Training: Carolyn Davis: Feb 2013 (.pdf format)
- Appendix B Audit Peer Review Training: Kieu Rubb: Feb 2013 (.pdf format)
- Appendix D Audit Peer Review Training: Carolyn Davis: Feb 2013 (.pdf format)
- Appendix E Audit Peer Review Training: Michelle Emigh: Feb 2013 (.pdf format)
- Appendix C Audit Peer Review Training: Mary Harmison: Feb 2013 (.pdf format)
- Appendix F Audit Peer Review Training: Mary Harmison: Feb 2013 (.pdf format)
- Reporting Audit Peer Review Training: Vicki McAdams: Feb 2013 (.pdf format)

Objective (Step 2)

To determine whether, for the period under review, the reviewed OIG audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. GAS 3.96

The peer review program is intended to be positive and constructive and should be carried out in that spirit.

Scope (Step 16)

Generally, reports issued in last 12 months

- 12-month period may be expanded as deemed necessary

Policies and Procedures related to the reports issued

- Compliance matters associated with the reviewed agency's internal policies and procedures that are more stringent than GAS do not affect the System Review Report opinion
- Similarly, your agency's more stringent policies and procedures shouldn't be applied to the reviewing agency

Exclude: DCAA work and Single Audits

Review Approach (Step 19)

Gain an understanding of the audit organization, its quality control system, and extent IPAs are used

- Are all guide appendices applicable/needed?

Evaluate policies and procedures using the checklists (modify as needed)

Interview staff (see optional staff questionnaire in Section 3)

Assess quality assurance reports

Review a sample of audits and determine adherence to GAS

Review IPA monitoring documentation and activities

Maintain open communication to ensure understanding of issues and keep OIG fully informed of potential issues as they arise

Peer Review Team Characteristics

(Steps 3 and 5)

Collectively, has current knowledge of GAS

Independent of IG reviewed, staff and audits selected

Collectively, has sufficient knowledge of how to perform a peer review (training and OJT; prior experience is desirable)

Team size: Staff to complete timely

Team composition: consider types and complexity of audits (e.g., IT, statistical, financial audit experience)

Team captain/s be an experienced manager

Professional Judgment (Step 4)

Exercise professional judgment in all matters relating to planning, performing, and reporting the results of the external peer review. Nothing in this guidance should be construed to limit the flexibility of the review team in planning and performing the review

Documentation (Steps 8-9)

Documentation should be:

- prepared to support the work performed and the conclusions reached.
- retained at least until the subsequent peer review is completed.

Initiation of the Review (Steps 10-14, 17)

Reviewing OIG:

- sends an engagement letter and requests an entrance conference and information in step 17 (see slides 3-5)
- provides draft MOU (step 15)

Entrance Conference

- Both IGs attend, ideally
- Draft MOU elements discussed
- Reviewed OIG provides overview of operations (security clearance levels, E-WPs used, availability of records...)

Any travel expenses born by reviewing OIG

Memorandum of Understanding

(Step 15)

Illustrative MOU

MOU's 13 sections generally reflect the methodology in peer review guide Section 2

Suggest Counsel's review

Address any special circumstances (e.g. records access/handling)

Review the Prior Peer Review Documentation

Gain an understanding of:

The audit organization from the documentation/team

The outcomes of the Appendix A effort

Any verbally conveyed matters (e.g., exit conference)

Information in the prior-prior peer review report (opinion, LOC findings, field sites visited...)

Quality Control and Assurance

(Steps 20-21)

Complete Appendix A, Section 2

- Make a preliminary determination on the adequacy of the audit organization's system of quality control

Complete Appendix B questions on Quality Control and Assurance

- Determine the adequacy of design and implementation
- The *Quality Standards for Federal Offices of Inspector General* (Silver Book) is referenced within the guide
 - <http://www.ignet.gov/pande/standards/igstds.pdf>

Risk Assessment (Step 18)

Perform a risk assessment considering information gathered and analyzed in steps 17, 20, and 21. Other items for consideration:

- Prior PR corrective action implementation
- Results of internal quality assurance reports
- Reasons for terminated audits
- Currency/adequacy of policies and procedures
- Significant changes in audit organization operations (work requirements, staffing, etc.)

Selection of Offices & Audits and Using Appendices (Steps 22-28)

Select:

- a sufficient sample to reach a defensible conclusion on compliance
- at least one financial audit if performed by OIG and at least one audit internally reviewed under the OIG's quality control and assurance program
- a representative cross-section of IPA conducted audits

Obtain written representation whether any nonaudit services relate to sampled audits

No-advance notice given of selected audits

- Documentation provided within 2 business days
 - Field sites as visited
 - Otherwise, written notice explaining why (step 23)

Expand Appendices C-F to add questions related to significant manual requirements (referencing, for example), Internal QAR matters, prior PR matters, etc.

Review audits/attests for compliance using Appendices C – F

Potential Issues (Steps 29-32)

Matters are issues that warrant further consideration and can become:

- Resolved
- Verbally conveyed observation
- Finding
- Deficiency
- Significant Deficiency

Reassess Scope (Step 33)

After all evidence has been compiled, the adequacy of the scope should be reassessed to ensure sufficient work exists to support findings, conclusions, and recommendations.

Inquire whether any internal quality assurance reviews were issued subsequent to scope-end date. Obtain and analyze as appropriate.

Contacts

Questions on this presentation, Allan Sherman at 703-562-6349,
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GAS technical or practice questions, contact GAO at 202-512-9535,
yellowbook@gao.gov

Questions or comments on the peer review guide APRG@oig.treas.gov

CIGIE Audit Committee matters, contact David Gross,
David.Gross@dodig.mil

- Independence issues
- Significant areas of disagreement between the parties
- Peer review report extension requests
- To report receiving a discussion draft with a *pass with deficiencies* or *fail* opinion

Section 2

Questions?