

Audit Peer Review Training
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Appendix C (March 2014)

Checklist for Review of Financial Audits Performed by the Office of Inspector General



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What I'll Talk About Today

- **Current standards**
 - 2011 Yellow Book & AICPA
- **Changes to standards**
- **Using Appendix C**
 - Assessing compliance



- **Questions**



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Why am I before you today?

- Performed Federal financial statement audits, started in 1992
- Contracting Officer's Representative (COR) for Federal financial statement audits
- Performed peer reviews and/or subject to external peer reviews 6 times since 2009; used CIGIE Peer Review guide as internal quality control tool
- Team member for most recent version of GAO/PCIE Financial Audit Manual
- Team member for revisions to OMB Bulletin No. 14-04 *Audit Requirements for Federal Financial Statements* (October 21, 2013)



3

Current Standards

➤ December 2011 Yellow Book

Chapter 4 – Standards for Financial Audits (was formerly 2 chapters)
Addresses

- Additional GAGAS requirements for Performing
- Additional GAGAS requirements for Reporting
- Additional considerations - general



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Additional GAGAS requirements for Performing

- a. **Auditor communication** – those charged with governance (at the Agency) and Congress
- b. **Previous audits** – evaluate whether Agency has taken appropriate corrective action, if previous findings and recommendations
- c. **Fraud** - extend AICPA requirements for laws and regulations to consideration of compliance with provisions of contracts or grants; consider materiality of abuse, if found; avoid interference with investigations
- d. **Developing Elements of Findings** – develop the elements of the findings that are relevant and necessary to achieve the audit objective
- e. **Audit Documentation** – Supervisory review before report release date, evidence to support findings; Departures from GAGAS & their impact; make audit documentation to appropriate individuals

Additional GAGAS requirements for Reporting

- a. **Compliance with GAGAS**
- b. **Report on Compliance with Laws and Regulations**
- c. **Report on Internal Control** – Significant Deficiencies and Material Weaknesses
- d. **Reporting views of responsible officials**, if deficiencies
- e. **Reporting confidential or sensitive information**, disclose if information is omitted
- f. **Distributing reports**, to those charged with governance and the appropriate oversight bodies or organizations

Additional considerations

- May use lower materiality level because of the public accountability of government entities; early communication to management of deficiencies

Appendix C

Use the references to

- ✓ **GAS (Government Auditing Standards, or**

- ✓ **AU (AICPA) references to clarify the item**

Appendix C Organization

1. General Standards – GAGAS

2. AICPA Field Work Standards – Planning and Supervision
3. AICPA Field Work Standards – Documentation and Evidence

4. GAGAS Field Work Standards – Supervision and Audit Documentation

5. AICPA Reporting Standards
6. Reporting Standards
7. GAGAS Reporting Standards

8. OIG Quality Control Policies and Procedures

9. Peer Reviewer’s Overall Assessment

General Standards

➤ General Standards – Should be covered in Appendix B

1. Independence

2. Professional Judgment

3. Competence



General Standards (cont'd)

Competence (cont'd)

Additional Qualifications for Financial Audits

3.73 Auditors performing financial audits should be knowledgeable in U.S. generally accepted accounting principles (GAAP), the American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards (SAS) and they should be competent in applying these standards.

Consider using experienced financial statement auditors when staffing your peer review team, if the reviewed OIG prepares its own financial audit.

Field Work Standards

➤ **GAGAS Chapter 4-Standards for Financial Audits** incorporates by reference the AICPA standards and adds additional requirements

AICPA	GAGAS
✓ Planning & Supervision	✓ Communication
✓ Documentation & Evidence	✓ Previous audits & attestations
✓ Reporting Standards	✓ Fraud, noncompliance, abuse
	✓ Elements of a Finding
	✓ Audit Documentation



Reporting Standards

AICPA	GAS
✓ In accordance w GAAP	✓ Compliance with GAGAS
✓ Disclosures	✓ Report on Internal Controls
✓ Opinion on FS	✓ Reporting on Compliance
	✓ Views of responsible official, for reported findings
	✓ Report distribution

Policies and Procedures

➤ Did OIG follow

The OIG's quality control policies and procedures for financial audits,

for example,

- *Use of checklists*
- *Independent report referencing*



Overall Assessment

- **Based on the results of the Appendix C checklist, and other work performed**
- **Conclude whether the OIG complied with**
 - 1) GAGAS
 - 2) Its own policies and procedures
- **Appropriate inquiries about exceptions** should be made with the auditors and management of the audit organization to determine the **underlying reasons**

Conclusion

If reviewer concludes that the financial audit work has met professional standards, but...

- ✓ Inadequate agency policies and procedures, or
- ✓ Non-compliance with agency policies and procedures...

...what to do?



Policies and Procedures

Letter of Comment

✓ **Non compliance with or inadequate agency procedure would ordinarily be reported as findings in the Letter of Comment and not impact the peer review rating.**



Questions



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References

AICPA

<http://www.aicpa.org/Research/Standards/Pages/default.aspx>

OMB Bulletin 14-02 Audit Requirements for Federal Financial Statements

<http://www.whitehouse.gov/sites/default/files/omb/bulletins/2014/b-14-02.pdf>

GAO/PCIE Financial Audit Manual, Volume 2, Section 1003
“Financial Statement Audit Completion Checklist”