

*Audit Peer Review Training  
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## **Appendix F: Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm**

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## **What We will Talk About Today**

1	Things to Remember
2	Contracting for the IPA
3	Degree of Responsibility for the IPA varies
4	Monitoring the IPA work
5	Conclusion
6	Additional References
7	Questions



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## 1. Things to Remember

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- **OIG is not the principal auditor**
- **IPA monitoring is not an audit**
- **Staffing – with experienced auditors/COR**
- **OIG may use IPAs for financial or performance audits, and for attestations**

## 2. Contracting for the IPA

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**Independent Public Accounting Firm (IPAs) defined**

- **licensed CPAs or licensed accountants in states that have multi-class licensing systems that recognize licensed accountants other than CPAs (GAS 3.75)**

## 2. Contracting for the IPA

Did the OIG consider

- Independence
- Professional Judgment / Competence
  - Technical approach
  - IPA's system of quality control
  - References from other clients
- Competence
  - Qualifications / experience of the IPA
  - Most recent peer review
  - Other reports, as appropriate (PCAOB, Single Audit)

## 3. Degree of Responsibility Varies

**Determine OIG association to and responsibility for the audit report**

**Source – SOW, OIG report transmittal, other contract documents**

**Why determine?**

**Peer reviewer assesses – was the OIG's monitoring reasonable**

### 3. Degree of Responsibility Varies

1. **No association** with the IPA's report – the IPA provides the report directly to the audited entity
2. **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
  - ✓ expression of negative assurance in the audit organization's transmittal of the IPA's report to the audit entity

### 3. Degree of Responsibility Varies

3. **OIG report that refers to the IPA's report** (*consider Appendix C, D, or E*)
4. **OIG report expresses concurrence with the IPA's report and conclusions** (*consider Appendix C, D, or E*)
5. **OIG report does not mention the IPAs work**  
(*must use Appendix C, D, or E*)

## 4. Monitoring the IPA's Work

**Was level of assurance reasonable ?**

**Consider guidance from FAM 650 for financial statement audits**

## 4. Monitoring the IPA's Work

from GAO/PCIE Financial Audit Manual, Section 650 -

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Planning and General  
650 - Using the Work of Others

**Table 650.1: Overview of Work Performed for Each Type of Reporting**

Type of reporting	Evaluate the other auditors' independence and objectivity (FAM 650.11-.24)	Evaluate the other auditors' qualifications (FAM 650.25-.35)	Level of review (FAM 650.36-.42)	Hold discussions and/or perform supplemental tests (FAM 650.43-.47)
No association with report (FAM 650.09 a)	No <sup>2</sup>	No	None	No
Auditor transmittal letter expresses no assurance (FAM 650.09 b, first bullet)	Yes	Yes	Low or none	No
Auditor transmittal letter expresses negative assurance (FAM 650.09 b, second bullet)	Yes	Yes	Moderate or low	No

## 4. Monitoring the IPA's Work

from GAO/PCIE Financial Audit Manual, Section 650 -

1 of 2

Report refers to the other auditors' report and indicates a division of responsibilities (FAM 650.09 c)	Yes	Yes	Low or none	No
Report concurs with the other auditors' report or does not mention the other auditors' work (FAM 650.09 d and e)	Yes	Yes	High, moderate, or low	Yes for internal auditors' work (should include supplemental tests); yes for auditors' work for high level of review; no for auditor's work for moderate or low level of review

\*If the auditor contracts with the other auditors or serves as the COTR, the contracting process generally will require the auditor to evaluate the other auditors' independence, objectivity, and qualifications and to monitor performance under the contract.

July 2008

GAO/PCIE Financial Audit Manual

Page 650-7

## 4. Monitoring the IPA's Work – some possible steps

### Did the OIG

- Participate in audit entrance/exit conferences, and periodic meetings
- Review IPA planning documents
- Review IPA contract deliverables
- Review IPA's audit documentation for adherence to GAGAS
- Monitor and revise milestones as needed
- Monitor significant issues / results
- Perform supplemental audit tests, if warranted by the degree of responsibility the audit organization accepted as identified in step 2.1. of Appendix F

## 4. Monitoring the IPA's Work – Summary

### Did the OIG:

1. Ensure the OIG report transmittal memo was consistent with the level of OIG responsibility?
2. Review the IPA report for GAGAS compliance?
3. Review IPA audit documentation for GAGAS compliance?

## 5. Conclusion

Section 4(b) of the Inspector General Act of 1978, as amended (5 U.S.C. Appendix 3) requires OIGs to ensure that the work of non-Federal auditors adhere to generally accepted government auditing standards (GAGAS).



**Did the OIG perform reasonable procedures to ensure that the work of the IPA adhered to GAGAS?**

## 6. Additional References

- **GAO/PCIE FAM 650**
- **IGNET website – Under Audit Committee**  
Best Practices Guide for Coordinating the Preparation and Audit of Federal Financial Statements (September 2007)
- **IGNET website – Audit Committee, Federal Audit Executive Committee (FAEC)**  
Financial Statement Contracting Samples & Tools, including
  - Final FSAN Monitoring tool for financial statement audits
- **Financial Statement Audit Network (FSAN)**



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## 7. Questions



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