

From a Standards-Based Audit Manual to a Workflow-Based Project Guide



Federal Audit Executive Council, SBA-OIG
Presentation
August 1, 2013

Topics Roadmap

- ▶ Need for Change
- ▶ Desired Key Outcomes
- ▶ Development of the Guide
- ▶ Organization of the Project Guide
- ▶ Evidence Model
- ▶ Project Phases and Milestones
- ▶ Summary of Goals and Deliverables
- ▶ Project Plan
- ▶ Meeting Agendas
- ▶ Job Aids
- ▶ Questions & Answers

Need for Change – Guidance

- ▶ Audit manual issued in 1999, augmented by a series of memoranda was the principal guidance for staff
- ▶ Organized by standards (e.g. Planning, Reporting, Quality, etc.)
- ▶ Undocumented administrative processes
- ▶ Adding Inspections and Evaluations to the Auditor's Tool Box

Need for Change – Staff Issues

- ▶ No clear “repeatabile” audit management process in place
- ▶ Audit objectives changing late in the process
- ▶ Varying project management skills among staff
- ▶ Inconsistent development of audit plans and other project deliverables
- ▶ High staff turnover in recent years, necessitating a easy to use project guide for doing an audit or evaluation

Desired Key Outcomes

- ▶ *Comprehensive*: Everything you need to know is in a “stand alone” project guide integrated with *TeamMate*
- ▶ *Logical flow*: Organized around key decision points in the auditing process – make it easy to understand with job aids to help staff on the “how to” aspect of the process
- ▶ *Avoid expectation gaps*: Responsibilities and deliverables for all players in the process are spelled out and integrated throughout the audit phases
- ▶ *Begin with the end in mind*: “Downstream” reporting requirements are addressed in “upstream” planning phases so that Appropriate and sufficient evidence is obtained, analyzed, and reported
- ▶ *Bottom Line*: Ensure quality work & results through clear expectations and helpful tools

Development of the Guide

Inputs to Process Improvement

- ▶ Organizational Assessment of the Auditing Division
- ▶ External peer review results
- ▶ Yellow Book 2011 revision
- ▶ Staff feedback
- ▶ Observation of internal administrative and project processes

From a Standards Based Manual



General Standards

- Independence
- Professional Judgment
- Competence
- Quality Control & Assurance



Fieldwork Standards

- Planning
- Supervision
- Evidence
- Audit Documentation



Reporting Standards

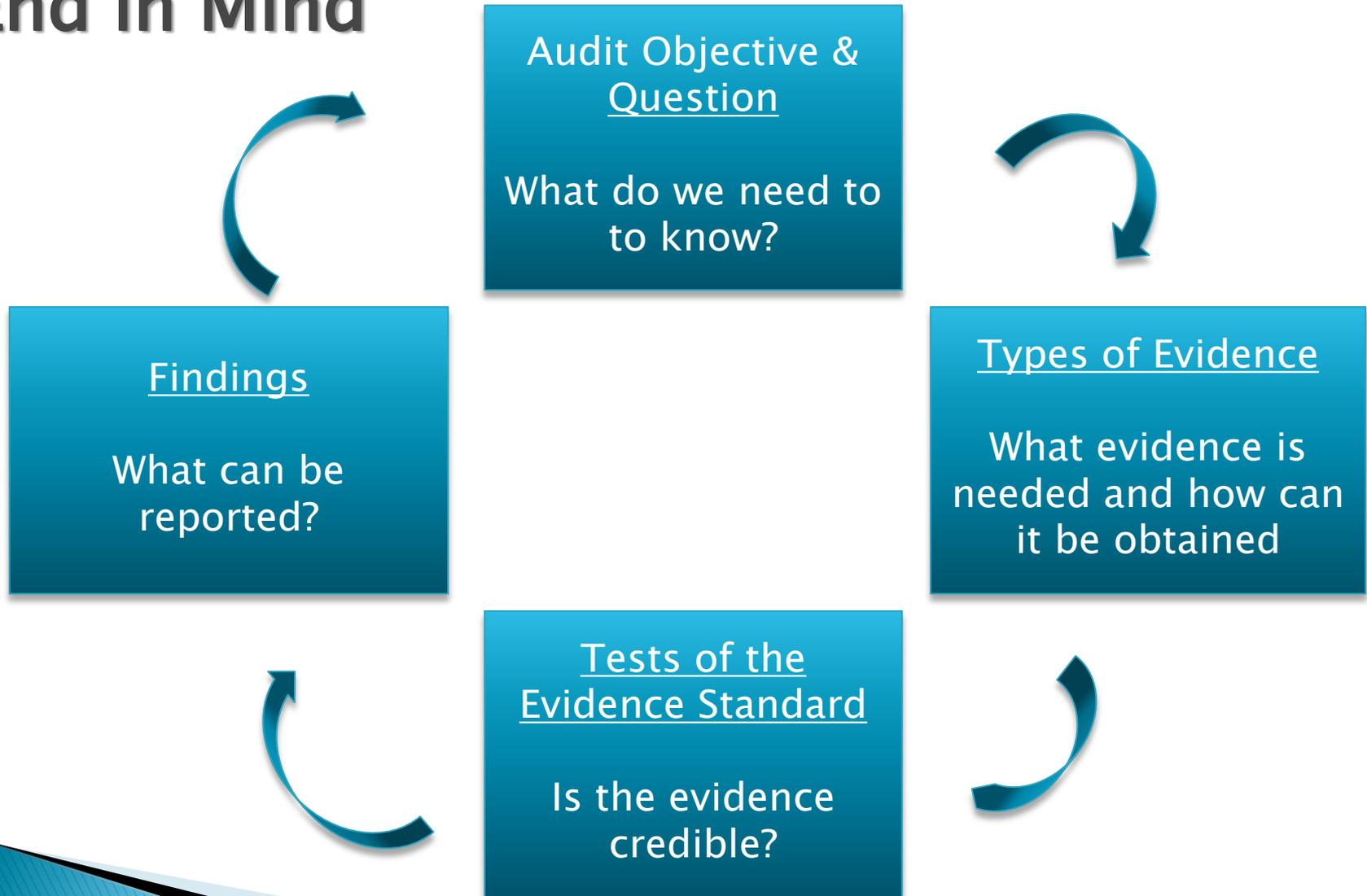
- Report Contents
- Report Distribution

To Process Work Flow Project Guide



General, Fieldwork, and
Reporting Standards Considered
at Each Phase in the Audit

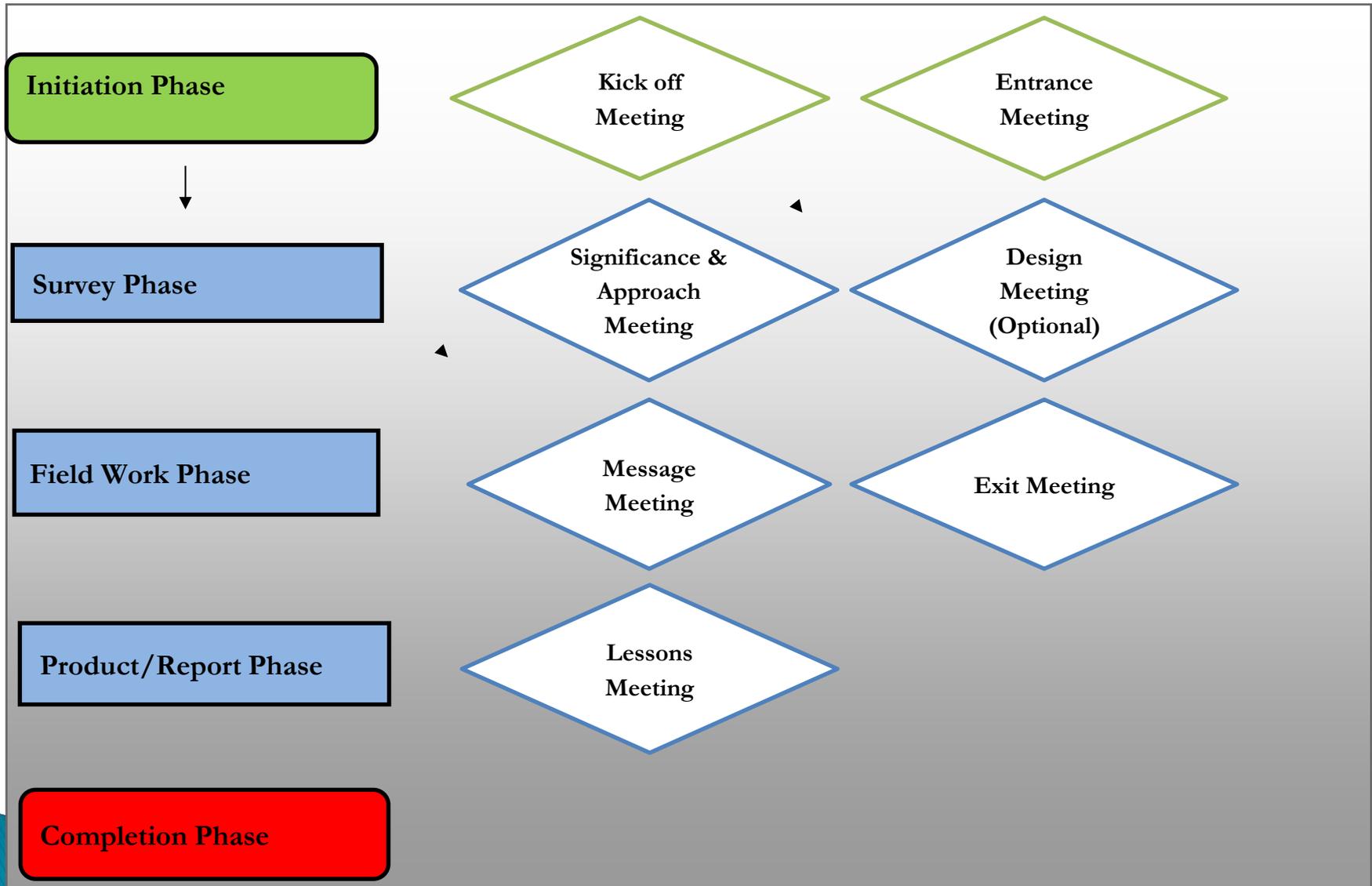
Evidence Model – Beginning With The End in Mind



Organization of Project Guide

- ▶ Audit Phases & Activities
- ▶ Key Decision Meetings
- ▶ Deliverables for phases/meetings
- ▶ Exhibits (i.e., forms, job aids)

Audit Phases & Key Decision Meetings



Summary of Goals and Deliverables

Phase/ Meeting	Goal(s)/ Purpose	Project Deliverable(s)	Administrative Deliverable(s)
 <p>Initiation Phase</p>	<p>Activate the project, assign competent, independent, and ethical team members to the project and begin researching the program to be audited/reviewed. The team will propose objective(s), scope, key question(s), and target project milestone dates to the end of the Survey Phase. Upon AIGA approval of the AMIS 2 Form, the team will notify the agency.</p>	<ul style="list-style-type: none"> • Complete Certificates of Independence Form(s) 	<ul style="list-style-type: none"> • Project Start Form • Create a project in TeamMate • Upload completed Certificates of Independence forms to TeamMate • Project and target milestone dates are entered into the Project Tracker
 <p>Kick-off Meeting</p>	<p>Team and Group Director meets with AIGA to present and obtain approval on proposed type of project, proposed objectives, scope, key questions, estimated resources needed, and target milestone dates, to the end of the Survey Phase.</p>	<ul style="list-style-type: none"> • Kick-off Meeting agenda and meeting materials, if any • Kick-off Meeting write-up 	
 <p>Entrance Meeting</p>	<p>Team meets with agency officials to begin work.</p>	<ul style="list-style-type: none"> • Notification Letter • Entrance Meeting write-up • Team begins developing the Project Plan 	<ul style="list-style-type: none"> • Upload Notification letter and Entrance Meeting write-up to TeamMate.

Project Plan

Designed to ensure compliance with GAGAS, QSIE, & SBA–OIG

- ▶ Plan includes GAGAS, QSIE, and SBA–OIG procedures checklist
 - Provides guidance to staff
 - Serves as a quality control measure
- ▶ Plan includes a table where staff members outline all steps planned to collect and analyze data

Milestone Meeting Agenda

Information Prepared	Kick-off	Significance & Approach	Design (optional)	Message (Report Outline)
Background	✓	✓		✓
Objective(s) and Scope	✓	✓		✓
Key Questions and Approach	✓	✓	✓	✓
Criteria	✓	✓		✓
Risk Assessment	✓	✓		✓
Estimated Resources Needed	✓	✓		
Expected Milestone Dates	✓	✓		✓
Emerging Message		✓		✓
Potential Issues for Future Work		✓		

Sample Agenda for Significance and Approach Meeting

Purpose:

- ▶ Determination to continue, cancel or postpone the project to the AIGA

Participants: AIGA, Group Director, Writer/Editor, and Audit Team (i.e., Audit Manager, Auditor-in-Charge, and Team Members). The audit team may also invite the Deputy IG

Project Plan Discussion:

- ▶ *Objectives/Questions:* Are the team's objectives/questions relevant to the audit or review? Are they clear and attainable?
- ▶ *Data :* Availability & reliability
- ▶ *Prior work:* Extent of prior reviews or oversight and results of previous audits and reviews?
- ▶ *Methodology:* Does the team have a sound, efficient methodology to complete the work?
- ▶ *Criteria/Measures:* What are the key criteria for completing work (e.g., legal/regulatory requirements, contract provisions/grant agreements, goals prescribed by law or set by the auditee, standards, norms, or expert opinion, etc.)?

Sample Agenda for Significance and Approach Meeting

Progress of Survey work completed

- ▶ Conditions Identified
- ▶ Management infrastructure
- ▶ Current status/Resources of the Program/Activity:
- ▶ Internal Controls/Operational Infrastructure
- ▶ Fraud/Abuse Indicators

Potential Message that is emerging (i.e., possible finding elements and significance)

Potential Issues for future work:

- ▶ Potential change in the audit or review, noting pros/cons
- ▶ Expected use of statistical advisory services
- ▶ Adequacy of team knowledge and resources

Length of meeting: 30 to 90 minutes

Job Aids (How to)

- ▶ Summary of Goals and Deliverables by project phase
- ▶ Project Plan (with GAGAS & QSIE checklists) – guidance and quality control
- ▶ Milestone meeting agendas
 - Clarify expectations & frame decisions
- ▶ Evidence Standards
 - Strengths, limitations, and mitigating actions; Tests of evidence for quality and quantity
- ▶ Identifying Fraud and a process for fraud referrals
- ▶ Data reliability assessment

Identifying Fraud & Process for Making Referrals

Guidance to team members

▶ What to look for:

- Lack of asset accountability or safeguarding procedures
- Unusual patterns and trends in contracting, procurement, and acquisition
- Inadequate monitoring by management for compliance with policies, laws, and regulations
- Key documentation is lacking or does not exist; and
- False or misleading information

▶ How to refer matter to OIG Investigations:

- Who to meet with
- How to document the suspicious activity
- Process for issuing audit report in light of the referral

Data Reliability Assessment

Template provides guidance to team members to include in their assessments:

- ▶ Source of data
- ▶ Identify of data format or application/
software
- ▶ Outline the anticipated use of the data during
the audit
- ▶ Steps to Audit/Review reliability of data

Questions



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