

**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 SECTION 1	_____		

DATE COMPLETED _____

PERSON(S) WHO COMPLETED SECTION 2	_____		

DATE COMPLETED _____

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

PURPOSE AND INSTRUCTIONS

Reviewed Organization

Section 1 of this questionnaire is designed to obtain general information about your audit organization and information about its internal quality control system. It requests specific information about your policies and procedures designed to assure compliance with generally accepted government auditing standards. The external peer review team will complete Section 2 as part of the review of your audit organization's quality control system.

Please respond to the questions in Section 1, by providing a reference to and a copy of your documented policies and procedures. If you do not have written policies and procedures, describe the practice in place and how you ensure all audit staff are cognizant of the requirements. Also indicate in your response any relevant checklists or forms that your organization requires and provide copies. If you have an audit manual or similar document, your answers should be cross-referenced to the applicable sections of this and other supplemental documents as appropriate. The documentation with the completed Section 1 questionnaire should be provided to the team leader before the site review begins.

The PCIE's *Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General* contemplates that an OIG's written policies and procedures, to include control measures to ensure compliance, is a key characteristic of its overall quality control system. GAGAS (3.50) states: "An audit organization's system of quality control encompasses the audit organization's structure and the policies adopted and procedures established to provide the organization with reasonable assurance of complying with applicable standards governing audits and attestation engagements. An audit organization's internal control system should include procedures for monitoring, on an ongoing basis, whether the policies and procedures related to the standards are suitably designed and are being effectively applied." **In answering these questions, it is therefore important to describe any control procedures your organization has in place to ensure that activities stated in your policies are actually performed as intended.**

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

External Peer Review Team

The policies and procedures obtained from or described by the audit organization being reviewed should be examined and evaluated. A conclusion should be reached regarding the adequacy of the policies and procedures in terms of whether they, if properly fulfilled, would provide reasonable assurance that GAGAS would be met. To facilitate the review, key passages of the pertinent GAGAS sections are included; for additional information, the reviewer may want to refer directly to the standards (references to the applicable citations are included). Emphasis should be placed upon the qualitative nature of the guidance promulgated and the adequacy of control measures that would foster such assurance. The policies and procedures that establish internal guidance and audit requirements represent a key primary characteristic of the overall quality control system; accordingly, the level of assurance afforded needs to be assessed.

Record in Section 2 of this Appendix the conclusion “Adequate” or “Inadequate” as designed. A cross-reference to a narrative explanation supporting the determination should also be recorded. The determination should be based upon the reviewer's knowledge of GAGAS. To assist in the process, the reviewer should use the steps set forth in the individual appendices guiding the evaluation of the reviewed organization's process if the policies and procedures were found to be inadequate as prescribed. If the policies and procedures are determined to be adequate, the reviewer should test compliance directly against them (though this may be achieved through the use of the checklists (Appendices B-G) provided with modifications, as needed). It is important to note, however, that GAGAS represents the overarching criteria. If, for example, the reviewed organization's policies and procedures encompass more extensive requirements than those prescribed in GAGAS and lack of compliance is noted with those incremental requirements, it would not constitute a reportable condition for the purposes of this review (though it should be orally conveyed as a courtesy to management).

In addition, the absence of a particular policy or policies does not, in and of itself, constitute a reportable condition but should be taken into consideration in concluding as to the adequacy of the quality control system taken as a whole.

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>1. <u>INDEPENDENCE</u></p> <p>Personal Impairments</p> <p>1.1 What are your policies and procedures to determine whether auditors, both Federal and non-Federal, have any personal impairments related to the audits they conduct, including nonaudit services and their resolution? (GAGAS 3.07, 3.09)</p>		<p>3.07 The audit organization should have an internal quality control system to help determine whether auditors have any personal impairments to independence that could affect their impartiality or the appearance of impartiality. The audit organization needs to be alert for personal impairments to independence of its staff members. Personal impairments of staff members result from relationships and beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Auditors are responsible for notifying the appropriate officials within their audit organizations if they have any personal impairments to independence. Examples of personal impairments of individual auditors include, but are not limited to, the following:</p> <p>a. immediate family or close family member who is a director or officer of the audited entity, or as an employee of the audited entity, is in a position to exert direct and significant influence over the entity or the program under audit;</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
		<ul style="list-style-type: none"> b. financial interest that is direct, or is significant/material though indirect, in the audited entity or program, c. responsibility for managing an entity or decision making that could affect operations of the entity or program being audited; for example as a director, officer, or other senior position of the entity, activity, or program being audited, or as a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under audit; d. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records when such services involved preparing source documents or originating data, in electronic or other form; posting transactions (whether coded by management or not coded); authorizing, executing, or consummating transactions (for example, approving invoices, payrolls, claims, or other payments of the entity or program being audited); maintaining an entity's bank account or otherwise having custody of the audited entity's funds; or otherwise exercising authority on behalf of the entity, or having authority to do so; e. preconceived ideas toward individuals, groups, organizations, or objectives of 	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>a particular program that could bias the audit;</p> <p>f. biases, including those induced by political, ideological, or social convictions, that result from employment in, or loyalty to, a particular type of policy, group, organization, or level of government; and</p> <p>g. seeking employment with an audited organization during the conduct of the audit</p> <p>3.09 When the audit organization identifies a personal impairment to independence, the impairment needs to be resolved in a timely manner. In situations in which the personal impairment is applicable only to an individual auditor on a particular assignment, the audit organization may be able to mitigate the personal impairment by requiring the auditor to eliminate the personal impairment. For example, the auditor could sell a financial interest that created the personal impairment, or the audit organization could remove that auditor from any work on that audit assignment. If the personal impairment cannot be mitigated through these means, the audit organization should withdraw from the audit. In situations in which government auditors cannot withdraw from the audit, they should follow the requirement in paragraph 3.05.</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>1.2 What are your policies and procedures to ensure specialists are independent? (GAGAS 3.06)</p>		<p>3.06 In using the work of a specialist, auditors need to consider the specialist as a member of the audit team and, accordingly, assess the specialist’s ability to perform the work and report results impartially. In conducting this assessment, auditors should provide the specialist with the GAGAS independence requirements and obtain representations from the specialist regarding the specialist’s independence from the activity or program under audit. If the specialist has an impairment to independence, auditors should not use the work of that specialist.</p>	
<p>External Impairments</p> <p>1.3 What are your policies and procedures for identifying, reporting, and resolving external impairments? (GAGAS 3.19-3.20)</p>		<p>3.19 Factors external to the audit organization may restrict the work or interfere with auditors’ ability to form independent and objective opinions and conclusions. External impairments to independence occur when auditors are deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the audited entity or oversight organizations. For example, under the following conditions, auditors may not have complete freedom to make an independent and objective judgment and an audit may be adversely affected:</p> <p>a. external interference or influence that could improperly or imprudently limit or modify the scope of an audit or threaten to do so, including pressure to reduce inappropriately the extent of</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>work performed in order to reduce costs or fees;</p> <p>b. external interference with the selection or application of audit procedures or in the selection of transactions to be examined;</p> <p>c. unreasonable restrictions on the time allowed to complete an audit or issue the report;</p> <p>d. interference external to the audit organization in the assignment, appointment, and promotion of audit personnel;</p> <p>e. restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities;</p> <p>f. authority to overrule or to inappropriately influence the auditors' judgment as to the appropriate content of the report;</p> <p>g. threat of replacement over a disagreement with the contents of an audit report, the auditors' conclusions, or the application of an accounting principle or other criteria; and</p> <p>h. influences that jeopardize the auditors' continued employment for reasons</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>other than incompetence, misconduct, or the need for audit services.</p> <p>3.20 An audit organization's internal quality control system for compliance with GAGAS independence requirements, as stated in paragraph 3.08, should include internal policies and procedures for reporting and resolving external impairments</p>	
<p>Organizational Impairments</p> <p>1.4 What are your policies and procedures for ensuring the OIG is considered free from organizational impairments? Provide documentation which allows the audit organization to be considered free of organizational impairments (GAGAS 3.21-3.31; 3.32)</p>		<p>3.32 The audit organization should document the conditions that allow it to be considered free of organizational impairments to independence to report internally. Those conditions should be reviewed during the peer review to ensure that all the necessary safeguards have been met.</p>	
<p>1.5 What are your policies and procedures for ensuring nonaudit services do not impair independence? (GAGAS 3.17 a-e)</p>		<p>3.17 Audit organizations may perform nonaudit services that do not violate the principles stated in paragraph 3.13 only if the audit organization and the audited entity comply with the following safeguards. These safeguards would not apply in connection with the type of routine activities described in paragraph 3.15. The intent in this paragraph is not for the audit organization to apply these safeguards to every interaction it has with management.</p> <p>a. The audit organization should document its consideration of the nonaudit services as discussed in paragraph 3.13, including</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>documentation for its rationale that providing the nonaudit services does not violate the two overarching principles.</p> <p>b. Before performing nonaudit services, the audit organization should establish and document an understanding with the audited entity regarding the objectives, scope of work, and product or deliverables of the nonaudit service. The audit organization should also establish and document an understanding with management that (1) management is responsible for the substantive outcomes of the work and, therefore, has a responsibility to be in a position in fact and appearance to make an informed judgment on the results of the nonaudit service and (2) the audited entity complies with the following:</p> <ol style="list-style-type: none"> 1. designates a management-level individual to be responsible and accountable for overseeing the nonaudit service, 2. establishes and monitors the performance of the nonaudit service to ensure that it meets management's objectives, 3. makes any decisions that involve management functions related to the nonaudit service and accepts full responsibility for such decisions, 	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
		<p align="center">and</p> <p>4. evaluates the adequacy of the services performed and any findings that result.</p> <p>c. The audit organization should preclude personnel who provided the nonaudit services from planning, conducting, or reviewing audit work of subject matter involving the nonaudit service under the overarching principle that auditors cannot audit their own work.</p> <p>d. The audit organization is precluded from reducing the scope and extent of the audit work below the level that would be appropriate if the nonaudit work were performed by an unrelated party.</p> <p>e. The audit organization's quality control systems for compliance with independence requirements should include: (1) policies and procedures to assure consideration of the effect on the ongoing, planned, and future audits when deciding whether to provide nonaudit services, and (2) a requirement to have the understanding with management of the audited entity documented. The understanding should be communicated to management in writing and can be included in the engagement letter. In addition, the documentation should specifically identify management's</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>compliance with the elements discussed in paragraph 3.17b, including evidence of the management-level individual responsible for overseeing the nonaudit service’s qualifications to conduct the required oversight and that the tasks required of management were performed.</p>	
<p>2. <u>COMPETENCE</u></p> <p>Staffing</p> <p>2.1 What are your policies and procedures to ensure that staff members who conduct audit and attestation engagements fulfill the competence standard? Include references to your agency's established hiring policies, policies and procedures for assigning staff to audits and attestation engagements, staff appraisals, and other relevant policies and procedures. (GAGAS 3.40 and 3.42)</p>		<p>3.40 This standard places responsibility on audit organizations to ensure that each audit or attestation engagement is performed by staff who collectively have the knowledge, skills, and experience necessary for that assignment. Accordingly, audit organizations should have a process for recruitment, hiring, continuous development, and evaluation of staff to assist the organization in maintaining a workforce that has adequate competence. The nature, extent, and formality of the process will depend on various factors such as the size of the audit organization, its work, and its structure.</p> <p>3.42 Audit organizations should ensure that staff members assigned to conduct an audit or attestation engagement under GAGAS should collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment. Staff</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>members should collectively possess.</p> <ul style="list-style-type: none"> a. knowledge of GAGAS applicable to the type of work they are assigned and the education, skills, and experience to apply such knowledge to the work being performed; b. general knowledge of the environment in which the audited entity operates and the subject matter under review; c. skills to communicate clearly and effectively, both orally and in writing; and d. skills appropriate for the work being performed. For example: <ul style="list-style-type: none"> (1) if the work requires use of statistical sampling, the staff or specialists should include persons with statistical sampling skills; (2) if the work requires extensive review of information systems, the staff or specialists should include persons with information technology skills; (3) if the work involves review of complex engineering data, the staff or specialists should include persons with engineering skills; or (4) if the work involves the use of 	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>specialized audit methodologies or analytical techniques, such as the use of complex survey instruments, actuarial-based estimates, or statistical analysis tests, the staff or specialists should include persons with skills in those methodologies or techniques.</p>	
<p>2.2 What are your policies and procedures to determine whether specialists hired to perform audits have the knowledge, skills, and experience needed to perform the required task (e.g., a procedure for reviewing specialists' education, experience, or performance before hiring decisions are made)? (GAGAS 3.41, 3.48)</p>		<p>3.41 The competencies discussed below apply to the knowledge, skills, and experience of audit organizations and not necessarily to each individual auditor. An audit organization may need to employ personnel or hire specialists who are knowledgeable, skilled, or experienced in such areas as accounting, statistics, law, engineering, audit design and methodology, information technology, public administration, economics, social sciences, or actuarial science.</p> <p>3.48 External and internal specialists assisting in performing a GAGAS assignment should be qualified and should maintain professional competence in their areas of specialization but are not required to meet the CPE requirements described here. However, auditors who use the work of external and internal specialists should ensure that such specialists are qualified in their areas of specialization and should document such assurance.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>2.3 What are your polices and procedures to ensure that auditors engaged to perform financial audits or attestation engagements are licensed certified public accountants or persons working for a licensed certified public accounting firm or a Government auditing organization? (GAGAS 3.44)</p>		<p>3.44 Auditors engaged to perform financial audits or attestation engagements should be licensed certified public accountants or persons working for a licensed certified public accounting firm or a government auditing organization. Public accountants and accounting firms meeting licensing requirements should also comply with the applicable provisions of the public accountancy law and rules of the jurisdiction(s) where the audit is being performed and the jurisdiction(s) in which the public accountants and their firms are licensed.</p>	
<p>Continuing Education and Training</p> <p>2.4 What are your policies and procedures for ensuring that the continuing education and training requirements for your agency's audit staff are met? (GAGAS 3.45-3.47)</p>		<p>3.45 Auditors performing work under GAGAS, including planning, directing, performing field work, or reporting on an audit or attestation engagement under GAGAS, need to maintain their professional competence through continuing professional education (CPE). Therefore, each auditor performing work under GAGAS should complete, every 2 years, at least 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits and/or attestation engagements. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.</p> <p>3.47 The audit organization is responsible for ensuring that auditors meet the</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>continuing education requirements and should maintain documentation of the CPE completed. The U.S. Government Accountability Office (GAO) has developed guidance pertaining to CPE requirements to assist auditors and audit organizations in exercising professional judgment in complying with the CPE requirements.</p>	
<p>3. <u>PROFESSIONAL JUDGEMENT</u></p> <p>3.1 What are your policies and procedures for requiring staff to follow all applicable standards in conducting audits and attestation engagements? How are departures from GAGAS justified? (GAGAS 3.34)</p>		<p>3.34 This standard requires auditors to exercise reasonable care and diligence and to observe the principles of serving the public interest and maintaining the highest degree of integrity, objectivity, and independence in applying professional judgment to all aspects of their work. This standard also imposes a responsibility upon each auditor performing work under GAGAS to observe GAGAS. If auditors state they are performing their work in accordance with GAGAS, they should justify any departures from GAGAS.</p>	
<p>3.2 What are your policies and procedures for handling situations in which a standard is not applicable to a particular audit or will not be followed for a particular audit (s)? Please describe who makes the decision that a standard is not applicable, whether the decision is reviewed, and whether the OIG has any guidance for handling such situations.</p>		<p>3.37 Auditors neither assume that management is dishonest nor assume unquestioned honesty. In exercising professional skepticism, auditors should not be satisfied with less than persuasive evidence because of a belief that management is honest.</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
3.3 What are your procedures for disclosing that one or more standards were not followed in the scope section of the report including reasons why and any known effect of not following the standards(s)?			
3.4 Do the OIG policies and procedures require that the determination be documented in the audit documentation that certain standards do not apply to an audit? (GAGAS 3.37-.38)			
<u>4. QUALITY CONTROL AND ASSURANCE</u>		<p>3.50 An audit organization’s system of quality control encompasses the audit organization’s structure and the policies adopted and procedures established to provide the organization with reasonable assurance of complying with applicable standards governing audits and attestation engagements. An audit organization’s internal quality control system should include procedures for monitoring, on an ongoing basis, whether the policies and procedures related to the standards are suitably designed and are being effectively applied.</p> <p>V. C An internal quality assurance program must be structured and implemented to ensure an objective, timely, and comprehensive appraisal of operations. The internal quality assurance reviews should be conducted by individuals who are not directly</p>	
4.1 What are your policies and procedures to ensure monitoring of quality control, on an ongoing basis? (GAGAS 3.50; PCIE/ECIE Quality Standards V.C)			

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		involved in the activity or unit being reviewed and who do not report to the immediate supervisor of that activity or unit.	
<p>4.2 What are your policies and procedures to ensure that your audit organization takes remedial corrective action as needed on the results of external peer reviews? (GAGAS 3.52)</p>		<p>3.52 Audit organizations performing audits and attestation engagements in accordance with GAGAS should have an external peer review of their auditing and attestation engagement practices at least once every 3 years by reviewers independent of the audit organization being reviewed. The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming with applicable professional standards. Audit organizations should take remedial, corrective actions as needed based on the results of the peer review.</p>	
<p>4.3 What are your policies and procedures regarding documenting compliance with your system of quality control (GAGAS 3.51) for the following characteristics:</p> <ul style="list-style-type: none"> a. Policies and procedures that establish internal guidance and requirements? b. Supervisory review processes? c. Quality control process for each audit? (such as independent referencing, GAGAS 8.45) d. Quality assurance program? 		<p>3.51 The nature and extent of an audit organization's internal quality control system depends on a number of factors, such as its size, the degree of operating autonomy allowed its personnel and its audit offices, the nature of its work, its organizational structure, and appropriate cost-benefit considerations. Thus, the systems established by individual audit organizations will vary as will the need for, and extent of, their documentation of the systems. However, each audit</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>organization should prepare appropriate documentation for its system of quality control to demonstrate compliance with its policies and procedures. The form and content of such documentation is a matter of judgment. Documentation of compliance should be retained for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization's compliance with the quality control policies and procedures.</p> <p>8.45 Evidence included in audit reports should demonstrate the correctness and reasonableness of the matters reported. Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work. The report also should not have errors in logic and reasoning. One way to help ensure that the audit report meets these reporting standards is to use a quality control process such as referencing. Referencing is a process in which an experienced auditor who is independent of the audit verifies that statements of facts, figures, and dates are correctly reported, that the findings are adequately supported by the audit documentation, and that the conclusions and recommendations flow logically from the support.</p>	
5. <u>AUDIT PLANNING</u>			

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>Financial Audits</p> <p>5.1 What are your policies and procedures regarding the documentation of the planning of an audit engagement? (GAGAS 4.03, AU 311.01-311.10)</p>		<p>4.03 The three AICPA generally accepted standards of field work are as follows:</p> <p>a. The work is to be adequately planned, and assistants, if any, are to be properly supervised.</p> <p>b. A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.</p>	
<p>5.2 What are your policies and procedures that require consideration of the following during the planning process of financial statement audits:</p> <p>a. The matters described in AU 311.03 that are relevant to the auditee as follows:</p> <ol style="list-style-type: none"> 1. Matters relating to the auditee's mission and the environment in which it operates? 2. The auditee's accounting policies and procedures? 3. The methods used by the auditee to process significant accounting information, including the use of service organizations, such as outside service centers? 4. Planned assessed level of control risk? 5. Preliminary judgment about materiality levels for audit purposes? 6. Financial statement items likely to require adjustment? 7. Conditions that may require 			

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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<p>extension or modification of audit tests, such as the risk of material errors or irregularities or the existence of related party transactions?</p> <p>8. The nature of reports expected to be rendered (for example, a report on consolidating financial statements)?</p> <p>b. What are your policies and procedures requiring follow-up on prior material findings and recommendations that affect the current audit? (GAGAS 4.14-4.16)</p>		<p>4.14 The standard related to considering the results of previous audits and attestation engagements for financial audits performed in accordance with GAGAS is that auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations that directly relate to the objectives of the audit being undertaken.</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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<p>c. Detection of material misstatements resulting from violations of contract provisions or grant agreements or from abuse? (GAGAS 4.17 – 4.20)</p>		<p>4.18 AICPA standards and GAGAS require auditors to assess the risk of material misstatements of financial statement amounts or other financial data significant to the audit objectives due to fraud and to consider that assessment in designing the audit procedures to be performed. Auditors are also required to design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material illegal acts (violations of laws and regulations) and to be aware of the possibility that indirect illegal acts may have occurred. Under GAGAS, auditors have the same responsibilities for detecting material misstatements arising from violations of provisions of contracts or grant agreements as they do for detecting those arising from fraud and illegal acts. Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material violations of provisions of contracts or grant agreements. If specific information comes to the auditors’ attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements or significant indirect effect on other financial data needed to achieve audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations have occurred or are likely to have occurred.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>d. Communication of relevant information concerning the audit? (GAGAS 4.06 – 4.13)</p> <p>e. Development of finding elements (criteria, condition, effect, plus cause)? (GAGAS 4.21)</p>		<p>4.06 The standard related to auditor communication for financial audits performed in accordance with GAGAS is:</p> <p>Auditors should communicate information regarding the nature, timing, and extent of planned testing and reporting and the level of assurance provided to officials of the audited entity and to the individuals contracting for or requesting the audit.</p> <p>4.21 Audit findings, such as deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse, have often been regarded as containing the elements of criteria, condition, and effect, plus cause when problems are found. However, the elements needed for a finding depend entirely on the objectives of the audit. Thus, a finding or set of findings is complete to the extent that the audit objectives are satisfied. When problems are identified, to the extent possible, auditors should plan audit procedures to develop the elements of a finding to facilitate developing the auditors' report. (See paragraph 5.15 for a description of the elements of a finding.)</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>5.3 What are your policies and procedures for:</p> <ul style="list-style-type: none"> 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 543.10 and 543.12) 			
<p>Attestations</p> <p>5.4 What are your policies and procedures for ensuring that the auditor performs an engagement only if there is reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users? (GAGAS 6.02-6.04)</p>		<p>6.03-6.04 The two AICPA field work standards for attestation engagements are as follows:</p> <ul style="list-style-type: none"> a. The work shall be adequately planned and assistants, if any, shall be properly supervised. b. Sufficient evidence shall be obtained to provide a reasonable basis for the conclusion that is expressed in the report. 	
<p>5.5 What are your policies and procedures to ensure planning documentation is sufficient? (GAGAS 6.22-6.26)</p>		<p>6.22 The standard related to attest documentation for attestation engagements performed in accordance with GAGAS is: Attest documentation related to planning, conducting, and reporting on the attestation engagement should contain sufficient information to enable an experienced auditor who has had no previous connection with the attestation engagement to ascertain from</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>What are your policies and procedures to communicate relevant information concerning the attestation engagement? (GAGAS 6.06 -6.09)</p> <p>What are your policies and procedures to consider the results of previous audits and attestation engagements? (GAGAS 6.10 - 6.12)</p>		<p>the attest documentation the evidence that supports the auditors’ significant judgments and conclusions. Attest documentation should contain support for findings, conclusions, and recommendations before auditors issue their report.</p> <p>6.06 The standard related to auditor communication for attestation engagements performed in accordance with GAGAS is: Auditors should communicate information regarding the nature, timing, and extent of planned testing and reporting on the subject matter or assertion about the subject matter, including the level of assurance provided, to officials of the audited entity and to the individuals contracting for or requesting the attestation engagement.</p> <p>6.10 The standard related to considering the results of previous audits and attestation engagements for attestation engagements performed in accordance with GAGAS is: Auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations that directly relate to the subject matter or the assertion of the attestation engagement being undertaken.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>Performance Audits</p> <p>5.6 What are your policies and procedures to ensure the work is adequately planned? (GAGAS 7.02 & 7.03)</p> <p>a. What are your policies and procedures to ensure that sufficient background information on the organization, program, activity, or function being audited is obtained? (GAGAS 7.10)</p>		<p>7.03 In planning the audit, auditors should define the audit objectives, as well as the scope and methodology to achieve those objectives. Audit objectives, scope, and methodologies are not determined in isolation. Auditors determine these three elements of the audit plan together, as the considerations in determining each often overlap. Planning is a continuous process throughout the audit. Therefore, auditors should consider the need to make adjustments to the audit objectives, scope, and methodology as work is being completed.</p> <p>7.10 Auditors should obtain an understanding of the program to be audited to help assess, among other matters, the significance of possible audit objectives and the feasibility of achieving them. The auditors' understanding may come from knowledge they already have about the program or knowledge they gain from inquiries and observations they make in planning the audit. The extent and breadth of those inquiries and observations will vary among audits based on the audit objectives, as will the need to understand individual aspects of the program, such as the following:</p> <ul style="list-style-type: none"> a. Laws, regulations, and provisions of contracts or grant agreements, b. Purpose and goals, c. Internal control, d. Efforts, e. Program Operations, f. Outputs, and 	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>b. What are your policies and procedures to identify the criteria to evaluate the subject matter of the audit? (GAGAS 7.28)</p>		<p>g. Outcomes.</p> <p>7.28 Criteria are the standards, measures, expectations of what should exist, best practices, and benchmarks against which performance is compared or evaluated. Criteria, one of the elements of a finding, provide a context for understanding the results of the audit. (See paragraphs 7.62 through 7.65 for a discussion on the other elements of a finding.) The audit plan, where possible, should state the criteria to be used. In selecting criteria, auditors have a responsibility to use criteria that are reasonable, attainable, and relevant to the objectives of the performance audit. The following are some examples of possible criteria:</p> <ul style="list-style-type: none"> a. purpose or goals prescribed by law or regulation or set by officials of the audited entity, b. policies and procedures established by officials of the audited entity, c. technically developed standards or norms, d. expert opinions, e. prior periods' performance, f. performance of similar entities, 	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>c. What are your policies and procedures to consider the results of previous audits that could affect the current audit objectives? (GAGAS 7.29-7.30)</p>		<p>g. performance in the private sector, or</p> <p>h. best practices of leading organizations.</p> <p>7.29 Auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations identified in previous audit reports that directly relate to the objectives of the audit being undertaken. Auditors should ask audited entity officials to identify previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and to identify corrective actions taken to address significant findings and recommendations. For example, an audit report on an entity’s computerized information systems may contain significant findings that could relate to the performance audit if the entity uses such systems to process its accounting or other information the auditors plan on using. Auditors should use professional judgment in determining (1) prior periods to be considered, (2) the level of work necessary to follow up on significant findings and recommendations that affect the audit, and (3) the risk assessment used in planning the current audit and designing audit procedures to be performed.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>f. What are your policies and procedures to communicate information about the nature of the audit? (GAGAS 7.39-7.40)</p> <p>g. What are your policies and procedures to assess potential sources of data and the validity and reliability of such data? (GAGAS 7.31)</p>		<p>7.39 Auditors should communicate information about the specific nature of the performance audit, as well as general information concerning the planning and conduct of the audit and reporting--such as the form of the report and any potential restrictions on the report--to the various parties involved in the audit to help them understand the objectives, time frames, and any data needs. Parties involved may include</p> <ul style="list-style-type: none"> a. the head of the audited entity; b. the audit committee or, in the absence of an audit committee, the board of directors or other equivalent oversight body; c. the individual who possesses a sufficient level of authority and responsibility for the program or activity being audited; and d. the individuals contracting for or requesting audit services, such as contracting officials or legislative members or staff, if applicable. <p>7.31 In identifying potential sources of data that could be used as audit evidence, auditors should consider the validity and reliability of the data, including data collected by the audited entity, data generated by the auditors, or data provided by third parties, as well as the sufficiency and relevance of the</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>h. What are your policies and procedures for considering risks due to fraud that could significantly affect the audit objectives? (GAGAS 7.21-7.26)</p>		<p>evidence. (See paragraphs 7.48 through 7.65 for standards and guidance concerning evidence.)</p>	
<p>5.7 What are your policies and procedures regarding audit plans? Is a written audit plan (or program) used on all audit engagements? Who is required to review and approve the audit plan, and how is this approval documented? Does management require formal authorization of revisions to the audit plan? (GAGAS 7.41-7.43)</p>		<p>7.43 Written audit plans may include the following:</p> <ul style="list-style-type: none"> a. information about the legal authority for the audited program, its history and current objectives, its principal locations, and other background that can help auditors understand and carry out the audit plan; b. information about the responsibilities of each member of the audit team (such as preparing audit programs, conducting audit work, supervising and reviewing audit work, drafting reports, handling comments from officials of the audited program, and processing the final report), which can help auditors when the work is conducted at several different locations. In these audits, use of comparable audit methods and procedures can help make the data obtained from participating locations comparable; c. audit programs describing procedures to accomplish the audit objectives and providing a systematic basis for 	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>assigning work to staff and for summarizing the work performed; and</p> <p>d. the general format of the audit report and the types of information to be included, which can help auditors focus their field work on the information to be reported.</p>	
<p>5.8 What are your policies and procedures to ensure the audit is planned effectively to culminate in the timely issuance of the report? How is timeliness defined and measured? (GAGAS 8.39)</p>		<p>8.39 To be of maximum use, the audit report needs to provide relevant information in time to respond to officials of the audited entity, legislative officials, and other users' legitimate needs. Likewise, the information provided in the report needs to be current. Therefore, auditors should plan for the appropriate issuance of the report and conduct the audit with these goals in mind.</p>	
<p>6. SUPERVISION</p> <p>All Audits</p> <p>6.1 What are your policies and procedures for ensuring that auditors and others (including specialists) receive appropriate guidance and effective supervision during the performance of the audit? (AU 311.11-14; GAGAS 6.4, 7.44-7.47)</p>		<p>7.44 The field work standard related to supervision for performance audits performed in accordance with GAGAS is:</p> <p>Staff are to be properly supervised.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
6.2 What are your policies and procedures for ensuring that staff is aware of their responsibilities and for providing the level of supervision warranted by the experience level of the staff? (AU 311.12, GAGAS 7.45 and 7.46)		<p>7.45 Supervision involves directing the efforts of staff assigned to the audit to ensure that the audit objectives are accomplished. Elements of supervision include providing sufficient guidance to staff members, staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.</p> <p>7.46 Supervisors should satisfy themselves that staff members clearly understand what work they are to do, why the work is to be conducted, and what the work is expected to accomplish. With experienced staff, supervisors may outline the scope of the work and leave details to the staff. With less experienced staff, supervisors may have to specify audit procedures to be performed as well as techniques for gathering and analyzing data.</p>	
6.3 What are your policies and procedures regarding the documentation of supervisory reviews of audit work? (AU 339.05; GAGAS 4.24 6.24, 7.47, 7.68)		7.47 Reviews of audit work should be documented. The nature and extent of the review of audit work may vary depending on a number of factors, such as the size of the audit organization, the significance of the work, and the experience of the staff.	
<u>7. EVIDENCE AND DOCUMENTATION</u> All Audits			

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>Sufficient, Competent, and Relevant Evidence</p> <p>7.1 What are your policies and procedures to ensure that audit and attestation engagement findings and conclusions are supported by sufficient, competent, and relevant evidence? (AU 326.01; GAGAS 4.22-4.24, 6.22-6.24, 7.48-7.53)</p>		<p>7.52 Evidence should be sufficient, competent, and relevant to support a sound basis for audit findings, conclusions, and recommendations:</p> <ul style="list-style-type: none"> a. Evidence should be sufficient to support the auditors’ findings. In determining the sufficiency of evidence, auditors should ensure that enough evidence exists to persuade a knowledgeable person of the validity of the findings. When appropriate, statistical methods may be used to establish sufficiency. b. Evidence is competent if it is valid, reliable, and consistent with fact. In assessing the competence of evidence, auditors should consider such factors as whether the evidence is accurate, authoritative, timely, and authentic. When appropriate, auditors may use statistical methods to derive competent evidence. c. Evidence is relevant if it has a logical relationship with, and importance to, the issue being addressed. <p>7.49 A large part of auditors’ work on an audit concerns obtaining and evaluating evidence that ultimately supports their judgments and conclusions pertaining to the audit objectives. In evaluating evidence, auditors consider whether they have obtained the evidence necessary to achieve specific audit objectives. When</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		internal control or compliance requirements are significant to the audit objectives, auditors should also collect and evaluate evidence relating to controls or compliance.	
7.2 What are your policies and procedures regarding written representations about the validity of evidence obtained from officials of an audited entity? (AU 333.02; GAGAS 7.54)		7.54 Auditors may find it useful to obtain written representations concerning the competence and completeness of certain evidence from officials of the audited entity. Written representations ordinarily confirm oral representations given to auditors, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstandings concerning the matters that are the subject of the representations. Written representations can take several forms, including summary documents prepared by the auditors and signed by the entity’s management. If officials of the audited entity refuse to provide a written representation that the auditors have requested, the auditors should consider the effects of the refusal on results of the audit.	
<p>Assessing the Reliability of Computer Processed Data</p> <p>7.3 What are you policies and procedures for assessing the reliability of computer-processed data? (AU 326.12, GAGAS 4.24, 6.24, 7.59)</p>		7.59 Validity and reliability of data from computer-based systems: Auditors should obtain sufficient, competent, and relevant evidence that computer-processed	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
		<p>data are valid and reliable when these data are significant to the auditors’ findings. This work is necessary regardless of whether the data are provided to auditors or auditors independently extract them. Auditors should determine if officials of the audited entity or other auditors have worked to establish the validity and reliability of the data or the effectiveness of the controls over the system that produced the data. If the results of such work are current, auditors may be able to rely on that work. (See paragraphs 7.32 through 7.34 for requirements when relying on the work of others.) Auditors may also determine the validity and reliability of computer-processed data by direct tests of the data.</p>	
<p>Documentation</p> <p>7.4 What are your policies and procedures for preparing and maintaining documentation and ensuring the safety, custody, and retention of the documentation?. (AU 339.08; GAGAS 4.26, 6.26, 7.66-7.71)</p>		<p>7.66 The field work standard related to audit documentation for performance audits performed in accordance with GAGAS is:</p> <p>Auditors should prepare and maintain audit documentation. Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor, who has had no previous connection with the audit, to ascertain from the audit documentation the evidence that supports the auditors’ significant judgments and conclusions. Audit documentation should</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		contain support for findings, conclusions, and recommendations before auditors issue their report.	
<p>7.5 What are your policies and procedures for ensuring that audit documentation is appropriately organized in order to provide a clear link to the findings, conclusions, and recommendations contained in the audit report and the evidence and summaries meet the specific documentation requirements? (AU 339.01-.05, GAGAS 4.22-4.27, 6.22-6.24, 7.41-7.43, 7.67-7.68)</p>		<p>7.68 Audit documentation serves to (1) provide the principal support for the auditors' report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality. Audit documentation should be appropriately detailed to provide a clear understanding of its purpose and source and the conclusions the auditors reached, and it should be appropriately organized to provide a clear link to the findings, conclusions, and recommendations contained in the audit report. Audit documentation for performance audits should contain the following items not explicitly addressed elsewhere in GAGAS:</p> <ul style="list-style-type: none"> a. the objectives, scope, and methodology of the audit, including sampling and other selection criteria used; b. the auditors' determination that certain standards do not apply or that an applicable standard was not followed, the reasons therefor, and the known effect that not following the applicable standard had, or could have had, on the audit; c. the work performed to support significant judgments and conclusions, 	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>including descriptions of transactions and records examined; and</p> <p>d. evidence of supervisory reviews, before the audit report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the audit report.</p>	
<p>8. <u>INTERNAL CONTROL</u></p> <p>Financial Statement Audits</p> <p>8.1 What are your policies and procedures regarding the understanding of each element of the internal control structure (the control environment, accounting system, and control procedures) and whether it has been implemented? Does the policy or procedure require that an auditor gain 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? (GAGAS 4.04, AU 319.19, 319A.16)</p>		<p>4.04 Auditors should use professional judgment and consider the needs of users in applying the AICPA standards and related guidance to audits of a government entity or an entity that receives government awards. For example, auditors may need to set lower materiality levels than in audits in the private sector because of the public accountability of the audited entity, various legal and regulatory requirements, and the visibility and sensitivity of government programs. Also, auditors need to be sensitive to the concerns of oversight officials regarding previously reported internal control deficiencies of the audited entity and, accordingly, may need to test the effectiveness of internal control that have been changed in response to reported deficiencies even if auditors do not plan to rely on the effectiveness of such internal control.</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
<p>8.2 What are your policies and procedures regarding how the auditor's understanding of the control structure is documented? (AU 319.44, 319.A26)</p>			
<p>8.3 What are your policies and procedures that require assessing control risk in terms of financial statement assertions and (where applicable) compliance with laws and regulations? (AU 319.45, 319.A29)</p>			
<p>8.4 When seeking to reduce the assessed level of control risk for certain financial statement assertions, what are your policies and procedures for considering the availability of additional sufficient evidential matter and the need to test controls? (AU 319.61, 319A.43)</p>			
<p>8.5 When assessing control risk below the maximum, what are your policies and procedures for: (AU 319.48, 319A.30)</p> <ul style="list-style-type: none"> 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? 			
<p>8.6 What are your policies and procedures for requiring your auditors to document their basis for conclusions about the assessed level of control risk? (AU 319.57, 319A.39)</p>			

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>Attestation Engagements</p> <p>8.7 What procedures are used to ensure that auditors obtain a sufficient understanding of internal control that is material to the subject matter or assertion to plan the engagement and design procedures to achieve the objectives of the attestation engagements? (GAGAS 6.13-6.14)</p>		<p>6.13 The standard related to internal control for examination-level attestation engagements performed in accordance with GAGAS is:</p> <p>In planning examination-level attestation engagements, auditors should obtain a sufficient understanding of internal control that is material to the subject matter or assertion to plan the engagement and design procedures to achieve the objectives of the attestation engagement.</p>	
<p>Performance Audits</p> <p>8.8 What are your policies and procedures to ensure that auditors obtain an understanding of internal control as it relates to the specific objectives and scope of the audit? (GAGAS 7.11-7.16)</p>		<p>7.11 The lack of administrative continuity in government units because of changes in elected legislative bodies and in other government officials increases the need for effective internal control. Auditors should obtain an understanding of internal control significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation. Auditors also need to consider whether they plan to modify the nature, timing, or extent of their audit procedures based on the effectiveness of internal controls. If so, auditors should include specific tests of the effectiveness of internal control and consider the results in designing audit procedures. Officials of the audited entity are responsible for establishing effective internal control.</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
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<p><u>9. LEGAL AND REGULATORY REQUIREMENTS</u></p> <p>Financial Audits</p> <p>9.1 For determining compliance with laws and regulations in financial audits, what are your policies and procedures that require:</p> <p>a. Auditors design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements or from abuse? (GAGAS 4.17-4.20)</p>		<p>4.17 The standard related to violations of contract provisions or grant agreements or abuse for financial audits performed in accordance with GAGAS is:</p> <p>a. Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. If specific information comes to the auditors’ attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the determination of financial statement amounts or other financial data significant to the audit objectives, auditors should apply audit procedures</p>	
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OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>b. The auditor is 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 such acts occurred? (GAGAS 4.18)</p> <p>c. When information comes to the auditor’s attention indicating that abuse may have occurred, do auditors consider whether the possible abuse could significantly affect the financial statement amounts or other financial data? (GAGAS 4.19)</p>		<p>specifically directed to ascertain whether violations of provisions of contracts or grant agreements have occurred or are likely to have occurred.</p> <p>b. Auditors should be alert to situations or transactions that could be indicative of abuse, and if indications of abuse exist that could significantly affect the financial statement amounts or other financial data, auditors should apply audit procedures specifically directed to ascertain whether abuse has occurred and the effect on the financial statement amounts or other financial data.</p> <p>4.18 AICPA standards and GAGAS require auditors to assess the risk of material to the audit objectives due to fraud and to consider that assessment in designing the audit procedures to be performed. Auditors are also required to design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material illegal acts (violations of laws and regulations) and to be aware of the possibility that indirect illegal acts may have occurred. Under GAGAS, auditors have the same responsibilities for detecting material misstatements arising from violations of provisions of contracts or grant agreements as they do for detecting those arising from fraud and illegal acts. Auditors should design the audit to provide reasonable assurance of detecting material misstatements</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		<p>resulting from direct and material violations of provisions of contracts or grant agreements. If specific information comes to the auditors’ attention that provides evidence concerning the existence of possible violations of provisions of contracts or grant agreements that could have a material indirect effect on the financial statements or significant indirect effect on other financial data needed to achieve audit objectives, auditors should apply audit procedures specifically directed to ascertain whether violations have occurred or are likely to have occurred.</p>	
<p>Attestation Engagements</p> <p>9.2 What are your policies and procedures for providing reasonable assurance of detecting that fraud, illegal acts, violations of provisions of contract or grant agreements and abuse that could have a material effect on the subject matter is detected consistent with the level of the engagement? (GAGAS 6.15-6.20)</p>		<p>6.15 The standard related to fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse for attestation engagements performed in accordance with GAGAS.</p>	
<p>Performance Audits</p> <p>9.3 What are your policies and procedures for detecting violations of contract provisions, or grant agreements or fraud that could significantly affect the audit results? Include policies and procedures relating to obtaining applicable laws and regulations (etc.) conducting and documenting risk assessments and developing applicable audit steps to provide reasonable assurance of detection. (GAGAS 7.17-7.27).</p>		<p>7.17 When laws, regulations, or provisions of contracts or grant agreements are significant to the audit objectives, auditors should design the audit methodology and procedures to provide reasonable assurance of detecting violations that could have a significant effect on the audit results. Auditors should determine which laws, regulations, and provisions of contracts or grant agreements are significant to the</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	<p align="center">Section 1 Reviewed Organization Responses and References</p>	<p align="center">Applicable Standards</p>	<p align="center">Section 2 Peer Review Team Evaluation Comments and Conclusions</p>
		<p>audit objectives and assess the risk that illegal acts or violations of provisions of contracts or grant agreements could occur. Based on that risk assessment, the auditors design and perform procedures to provide reasonable assurance of detecting significant instances of illegal acts or violations of provisions of contracts or grant agreements. Auditors should include audit omentation on their assessment of risk.</p> <p>7.21 In planning the audit, auditors should consider risks due to fraud that could significantly affect their audit objectives and the results of their audit. The audit team should discuss potential fraud risks, considering fraud factors such as individuals' incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could allow individuals to commit fraud. Auditors should gather and assess information necessary to identify fraud risks which could be relevant to the audit objectives or affect the results of their audit. For example, auditors may need to obtain information through discussion with officials of the audited entity or through other means to determine the susceptibility of the program to fraud, the status of internal controls the entity has established to detect and prevent fraud, or the risk that officials of the audited entity could override internal control. Auditors should exercise professional skepticism in assessing these risks to determine which factors or risks could significantly affect the results of their</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		work if fraud has occurred or is likely to have occurred.	
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? What actions are auditors required to take when fraud indicators are present? (GAGAS 7.23-7.25)		7.23 Auditors should also be alert to situations or transactions that could be indicative of fraud. When information comes to the auditors’ attention (through audit procedures, allegations received through fraud hotlines, or other means) indicating that fraud may have occurred, auditors should consider whether the possible fraud could significantly affect the audit results. If the fraud could significantly affect the audit results, auditors should extend the audit steps and procedures, as necessary, to (1) determine if fraud likely has occurred and (2) if so, determine its effect on the audit results.	
9.5 What are your policies and procedures for consulting with legal counsel when questions arise about the application or interpretation of laws and regulations? (GAGAS 7.19)		7.19 Auditors may find it necessary to rely on the work of legal counsel to (1) determine those laws and regulations that are significant to the audit objectives, (2) design tests of compliance with laws and regulations, or (3) evaluate the results of those tests. Auditors also may find it necessary to rely on the work of legal counsel when audit objectives require testing compliance with provisions of contracts or grant agreements. Depending on the circumstances of the audit, auditors may find it necessary to obtain information on compliance matters from others, such as investigative staff, other audit organizations or government entities that provided assistance to the audited entity, or the applicable law enforcement authority.	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
<p>10. <u>REPORTING STANDARDS</u></p> <p>All Audits</p> <p>10.1 What are your policies and procedures regarding a statement in audit reports that the audit was made in accordance with generally accepted government auditing standards? (GAGAS 5.05, 6.29, 8.30)</p> <p>10.2 What are your policies and procedures requiring the reporting of (1) irregularities and 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? (GAGAS 5.12-5.14, 6.32-6.40, 8.16-8.18)</p> <p>10.3 What are your policies and procedures regarding the preparation of appropriate documentation for audits and attestation engagements that are terminated prior to completion? (GAGAS 4.09, 6.09, 7.40)</p>			

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<p>10.4 What are your policies and procedures regarding report issuance and distribution? (GAGAS 8.54-8.57)</p>		<p>8.54 The reporting standard related to report issuance and distribution for performance audits performed in accordance with GAGAS is:</p> <p>Government auditors should submit audit reports to the appropriate officials of the audited entity and to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, such as legislative bodies, unless legal restrictions prevent it. Auditors should also send copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and also to others authorized to receive such reports. Unless the report is restricted by law or regulation, or contains privileged or confidential information, auditors should clarify that copies are made available for public inspection. Nongovernment auditors should clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached.</p>	

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<p>10.5 What are your policies and procedures regarding reporting the views of responsible officials? (GAGAS 5.26-5.30,6.41-6.45,8.31-8.34)</p>		<p>8.31 Auditors should report the views of responsible officials of the audited program concerning auditors' findings, conclusions, and recommendations; as well as planned corrective actions. One of the most effective ways to ensure that a report is fair, complete, and objective is to obtain advance review and comments by responsible officials of the audited entity and others, as may be appropriate. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also what the responsible officials of the audited entity think about the audit results and what corrective actions officials of the audited entity plan to take. Auditors should include in their report a copy of the officials' written comments or a summary of the comments received.</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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<p>Financial Audits</p> <p>10.6 What are your policies and procedures that ensure AICPA reporting standards are followed, including SAS 58 and 60? (AU 508.01-508.85, 623.01-623.34; GAGAS 5.03)</p>		<p>5.03 The four AICPA generally accepted standards of reporting are as follows:</p> <ul style="list-style-type: none"> a. The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles. b. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period. c. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report. d. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor’s name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor’s work, if any, and the degree of responsibility the auditor is taking. 	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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<p>10.7 What are your policies and procedures that require a written report on compliance with laws and regulations and internal controls that includes the following:</p> <p>a. A description of the scope of testing compliance with laws and regulations and internal controls? (GAGAS 5.08-5.09)</p> <p>b. A statement about whether the tests provided sufficient evidence to support an opinion on the effectiveness of internal control on compliance with laws, regulations, and provisions of contracts or grant agreements? (GAGAS 5.09)</p>		<p>5.09 For audits of financial statements in which auditors provide an opinion or disclaimer, auditors should report the scope of their testing of internal control over financial reporting and of compliance with laws, regulations, and provisions of contracts or grant agreements including whether or not the tests they performed provided sufficient evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements.</p>	
<p>Attestation</p> <p>10.8 What are your policies and procedures to ensure standards are met? (GAGAS 6.27-6.28)</p>			
<p>Performance Audits</p> <p>10.9 What are your policies and procedures for communicating the results of each audit? (GAGAS 8.02-8.05)</p>			
<p>10.10 What are your policies and procedures regarding an audit report’s contents? (GAGAS 8.07, 8.21)</p>		<p>8.02 The reporting standard related to the form of the report for performance audits performed in accordance with GAGAS is: Auditors should prepare audit reports communicating the results of each audit.</p> <p>8.05 Audit reports (1) communicate the results of audits to officials at various levels of government, (2) make the results less</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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		<p>susceptible to misunderstanding, (3) make the results available for public inspection, and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken. The need to maintain public accountability for government programs demands that audit reports be retrievable.</p> <p>8.07 The reporting standard related to the contents of the report for performance audits conducted in accordance with GAGAS is:</p> <p>The audit report should include the objectives, scope, and methodology; the audit results, including findings, conclusions, and recommendations, as appropriate; a reference to compliance with generally accepted government auditing standards; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted.</p>	
<p>10.11 What are your policies and procedures regarding reporting the audit's objectives, scope, and methodology? (GAGAS 8.08-8.12)</p>			

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<p>10.12 What are your policies and procedures regarding the reporting of fraud, illegal acts, and abuse? (GAGAS 8.19-8.26)</p>		<p>8.19 When auditors conclude, based on evidence obtained, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should include in their audit report relevant information. Abuse occurs when the conduct of a government program or entity falls far short of behavior that is expected to be reasonable and necessary business practices by a prudent person.</p>	
<p>10.13 What are your policies and procedures regarding presentation of the auditor's conclusions in the audit report? (GAGAS 8.27)</p>		<p>8.27 Auditors should report conclusions when called for by the audit objectives and the results of the audit. Conclusions are logical inferences about the program based on the auditors' findings and should represent more than just a summary of the findings. Conclusions should be clearly stated, not implied. The strength of the auditors' conclusions depends on the persuasiveness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are stronger if they set up the report's recommendations and convince the knowledgeable user of the report that action is necessary</p>	

OIG’s AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

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<p>10.14 What are your policies and procedures regarding reporting fully developed findings? (GAGAS 8.13-8.15)</p>		<p>8.15 To the extent possible, in presenting findings, auditors should develop the elements of criteria, condition, cause, and effect to assist officials of the audited entity or oversight officials of the audited entity in understanding the need for taking corrective action. In addition, if auditors are able to sufficiently develop the findings, auditors should provide recommendations for corrective action. Following is guidance for reporting on elements of findings:</p> <ul style="list-style-type: none"> a. Criteria provides information so that the report user will be able to determine what is the required or desired state or what is expected from the program or operation. The criteria are easier to understand when stated fairly, explicitly, and completely and when the source of the criteria is identified in the audit report. b. Condition provides evidence on what the auditors found regarding the actual situation. Reporting the scope or extent of the condition allows the report user to gain an accurate perspective. c. Cause provides persuasive evidence on the factor or factors responsible for the difference between condition and criteria. In reporting the cause, auditors may consider whether the evidence provides a reasonable and convincing argument for why the 	

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		<p>stated cause is the key factor or factors contributing to the difference as opposed to other possible causes, such as poorly designed criteria or factors uncontrollable by program management. The auditors also may consider whether the identified cause could serve as a basis for the recommendations.</p> <p>d. Effect provides a clear, logical link to establish the impact of the difference between what the auditors found (condition) and what should be (criteria). Effect is easier to understand when it is stated clearly, concisely, and, if possible, in quantifiable terms. The significance of the reported effect can be demonstrated through credible evidence.</p>	
<p>10.15 What are your policies and procedures regarding reporting deficiencies in internal controls? (GAGAS 8.16-8.18)</p>		<p>8.18 In a performance audit, auditors may identify significant deficiencies in internal control as the cause of deficient performance. In reporting this type of finding, the internal control weakness would be described as the cause.</p>	
<p>10.16 What are your policies and procedures regarding the development and issuance of recommendations? (GAGAS 8.28-8.29)</p>		<p>8.29 Constructive recommendations can encourage improvements in the conduct of government programs and operations. For recommendations to be most constructive, they should be directed at resolving the cause of identified problems, action oriented and specific, addressed to parties that have the authority to act, practical and, to the extent feasible, cost effective, and</p>	

OIG's AUDIT QUALITY CONTROL POLICIES AND PROCEDURES

	Section 1 Reviewed Organization Responses and References	Applicable Standards	Section 2 Peer Review Team Evaluation Comments and Conclusions
		measurable.	
10.17 What are your policies and procedures to ensure report quality elements are met? (GAGAS 8.38-8.53)		8.38 The reporting standard related to report quality for performance audits performed in accordance with GAGAS is: the report should be timely, complete, accurate, objective, convincing, clear, and as concise as the subject permits.	
11. <u>AUDIT FOLLOW-UP PROCESS</u>			
11.1 What are your policies and procedures for tracking/monitoring agency officials' response, management decision, and final action on the reports' recommendations? (GAGAS 4.16, 6.12, 7.30)		7.30 Providing continuing attention to significant findings and recommendations is important to ensure that the benefits of audit work are realized. Ultimately, the benefits of audit work occur when officials of the audited entity take meaningful and effective corrective action in response to the auditors' findings and recommendations. Officials of the audited entity are responsible for resolving audit findings and recommendations directed to them and for having a process to track their status. If the audited entity does not have such a process, auditors may wish to establish their own process.	

END OF CHECKLIST