

October 2007

# Audit Committee News

## **Principal Representatives:**

John. P. Higgins, Jr.  
IG/ED, Chairman

Phyllis Fong  
IG/USDA

Gregory Friedman  
IG/DOE

Gordon Heddell  
IG/DOL

Claude M. Kicklightner  
IG/DOD

Patrick O'Carroll  
IG/SSA (ad hoc)

Jon T. Rymer  
IG/FDIC

Dennis Schindel  
Acting IG/Treasury

## **ECIE Representative:**

Sheldon Bernstein  
IG/NEH

Edward Kelley  
IG/FHFB

## **FAEC Representative:**

Mary Ugone  
DIGA/DOD

## **Highlights:**

- OMB Issues Best Practice Guide
- GAO and PCIE *Financial Audit Manual* Available for Comment

**Next Meeting:** Wednesday, October 24, 2007 at 2 pm,  
Potomac Center Plaza, 550 12<sup>th</sup> Street, SW, Room 8070

## **OMB Issues Best Practice Guide**

On October 3, the Office of Management and Budget (OMB) issued the revised PCIE/CFO Council's *Best Practices Guide for Coordinating the Preparation and Audit of Federal Financial Statements*. The document, which was originally published in 2001, is intended to foster constructive working relationships between OCFO and OIG in preparing and auditing agency's financial statements.

The guide is built on the fundamental concept that effective relationships are cultivated when expectations are defined clearly, early, and often; communication is continuous; and parties share a commitment to improving financial management. While not applicable to every agency, the guide establishes 12 best practices that include:

- Holding planning meetings early;
- Developing key milestones that serve as a blueprint for the audit;
- Determining the impact of new accounting and audit standards on the audit;
- Evaluating changes in the control environment;
- Minimizing the effect of changes in the audit or accounting staff;
- Using the OIG to oversee the independent auditor;
- Performing interim audit testing;
- Holding regular progress meetings;
- Coordinating audit adjustments and findings;
- Preparing the representation letters and final audit packages timely;
- Communicating frequently during the reporting phase; and
- Discussing "lessons learned" when the audit is completed.

We wish to extend a special thank you to those individuals who participated in the working group. The guide is available on the web at [www.ignet.gov/pande/audit/affs0907.pdf](http://www.ignet.gov/pande/audit/affs0907.pdf).

## **GAO and PCIE *Financial Audit Manual* Available for Comment**

On October 5, the GAO and PCIE Audit Committee released exposure drafts of the *Financial Audit Manual*, Volumes I and II (GAO-07-311G and GAO-07-312G, respectively). Volume I proposes an audit methodology for conducting financial statement audits of federal entities in accordance with professional standards. Volume II provides audit tools that may be used in performing these audits.

The exposure drafts incorporate new audit standards, including the AICPA's Statements of Auditing Standards No. 100-114, GAO's 2007 revisions to the *Government Auditing Standards*, and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. The drafts also consider the effects of new accounting standards, amendments to terminology, and changes in the federal audit environment.

The exposure draft is available on GAO's web page at [http://www.gao.gov/special\\_pubs/gaopcie/](http://www.gao.gov/special_pubs/gaopcie/). Comments should be sent to [FAM@gao.gov](mailto:FAM@gao.gov) no later than January 31, 2008. The working group plans to issue the final manuals in spring 2008, allowing auditors to use them during the 2008 cycle.

*If you have any questions, please contact Kim Geier at (202) 245-7020.*