



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this QAR of the *Audit of EPA's Fiscal 2004 and 2003 Financial Statements* (FY 2004 FS Audit) to determine whether the work complied with Government Auditing Standards (GAS) contained in the Government Accountability Office (GAO) 2003 revision of the "Yellow Book"; OIG policies and procedures; and other applicable guidance.

Background

Government Auditing Standards require, "Each audit organization performing audits and/or attestation engagements in accordance with GAGAS should have an appropriate internal quality control system in place..." Part of EPA OIG's Quality Assurance System includes conducting Quality Assurance Reviews of its work products. EPA OIG's Quality Assurance System encompasses its organizational structure and the policies and procedures established to provide it with reasonable assurance of complying with *Government Auditing Standards*. EPA OIG is responsible for the design of its quality assurance system and compliance with it, including the quality of its products.

FY 2006 Quality Assurance Review of the Audit of EPA's Fiscal 2004 and 2003 Financial Statements

What We Found

For this Quality Assurance Review (QAR), 5 cycles were judgmentally selected from a total of 31 cycles in the FY 2004 FS Audit. The cycles selected were Obligations, Accounts Receivable, Cost Accounting, Property, and Accounts Payable/Accrued Liabilities. (See Scope and Methodology Section). Overall we found that the work performed on this audit of EPA's fiscal 2004 and 2003 financial statements generally complied with applicable Government Auditing Standards (GAS), OIG policies and procedures, and other guidance. We conducted the entrance conference on July 5, 2005, and completed fieldwork on March 31, 2006.

This report is the second in the series of Quality Assurance Review reports issued in 2005 and 2006. The first report, *FY 2005 Quality Assurance Report: Report on Compliance with Government Auditing Standards*, dated November 9, 2005, covered internal controls in place and work products issued by the Office of Audit, Office of Program Evaluation, and Office of Congressional and Public Liaison for the period from October 1, 2003, to September 30, 2004.

Most problems found during the QAR of the FY 2004 FS Audit were minor and have been adequately addressed through recommendations in our previous QAR report. However, one issue, Auto Audit approvals, was not addressed previously. Preserving documentation of reviews and approvals is necessary to demonstrate OIG compliance with standards and OIG policy.

What We Recommend

- Establish a process for preserving documentation of original working paper reviews and approvals in the event that a working paper must be reopened or moved to another Auto Audit location.

The Office of Audit agreed with the recommendation.