
Appendix A

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 _____

	<u>Name</u>	<u>Title</u>	<u>Phone Number</u>
PERSON(S) WHO COMPLETED SECTION 2	_____		

DATE COMPLETED _____

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 (GAGAS). 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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* contemplates that an Office of Inspector General's (OIG's) written policies and procedures, to include control measures to ensure compliance, is a key characteristic of its overall quality control system. GAGAS, paragraph 3.50 states: "Each audit organization performing audits or attestation engagements in accordance with GAGAS must establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements." An audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high-quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. **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.**

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, links to the pertinent GAGAS sections are included; for additional information, the

reviewer may want to refer directly to the standards. Emphasis should be placed on the qualitative nature of the guidance 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. If the policies and procedures were found to be inadequate as prescribed, inquire of management as to how the standards were met. Regardless of whether policies and procedures are adequate, the reviewer should test compliance with standards using the checklists (Appendices B-F), modified 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 deficiency or significant deficiency for the purposes of this review (though it should be presented as a finding in the letter of comment or orally conveyed to management, depending on the circumstances).

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.

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
1. INDEPENDENCE		
Personal Impairments		
1.1 What are your policies and procedures: (GAS, 3.07-.09) <ul style="list-style-type: none"> a. To identify, report, and resolve personal impairments to independence? b. To communicate your policies and procedures to all auditors in the organization and promote understanding of the policies and procedures? c. For establishing a disciplinary mechanism to promote compliance with your policies and procedures? d. For stressing the importance of independence and the expectation that auditors will always act in the public interest? e. For documenting the steps taken to identify potential personal independence impairments? 		
1.2 What are your policies and procedures to ensure specialists are independent? (GAS, 3.05)		
1.3 What are your policies and procedures for notifying the entity management when an impairment to independence is identified after the audit report is issued? (GAS, 3.06)		
External Impairments		
1.4 What are your policies and procedures for identifying, reporting, and resolving external impairments? (GAS, 3.10-.11)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Organizational Independence		
1.5 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. (GAS, 3.12)		
1.6 What are your policies and procedures for ensuring nonaudit services do not impair independence? (GAS, 3.22-.30)		
2. PROFESSIONAL JUDGMENT		
2.1 What are your policies and procedures to ensure that professional judgment is exercised in planning and performing an audit or attestation engagement and in reporting the results? (GAS, 3.31-.39)		
2.2 What are your policies and procedures for documenting significant decisions affecting the audit objectives, scope, and methodology; findings and conclusions; and recommendations? (GAS, 3.38)		
3. COMPETENCE		
3.1 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 process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce. (GAS, 3.40-.42)		
3.2 What are your policies and procedures to ensure that staff assigned to conduct an audit or attestation engagement under GAGAS 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? (GAS 3.43)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>3.3 What are your policies and procedures for ensuring that auditors performing financial audits are knowledgeable in generally accepted accounting principles (GAAP), AICPA generally accepted auditing standards for field work and reporting and the related Statements on Auditing Standards (SAS), and the application of these standards? (GAS, 3.44)</p>		
<p>3.4 What are your policies and procedures to ensure that auditors performing attestation engagements are knowledgeable in the AICPA general attestation standard related to criteria, the AICPA attestation standards for field work and reporting, and the related Statements on Standards for Attestation Engagements (SSAE)? (GAS, 3.45)</p>		
<p>Continuing Education and Training</p> <p>3.5 What are your policies and procedures for ensuring that the continuing education and training requirements for your agency's audit staff are met? (GAS, 3.46-49)</p>		
<p>4. QUALITY CONTROL AND ASSURANCE</p>		
<p>4.1 What are your policies and procedures that address a system of quality control designed to provide reasonable assurance to comply with professional standards and applicable legal and regulatory requirements, including (GAS, 3.50-3.53):</p> <ul style="list-style-type: none"> a. Leadership responsibilities? b. Independence, legal, and ethical requirements? c. Initiation, acceptance, and continuance of audit and attestation engagements? d. Human resources (staffing skills, education, experience and knowledge of applicable audit subject matter)? e. Audit and attestation engagement performance, 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
documentation, and reporting? f. Monitoring of quality?		
4.2 What are your policies and procedures to ensure that your most recent peer review report is publicly available? (GAS, 3.61)		
5. AUDIT PLANNING		
Note: For GAGAS paragraphs that reference an American Institute of Certified Public Accountants (AICPA) audit standard, a review of that standard should be made to determine the entity’s compliance with GAGAS.		
Financial Audits		
5.1 What are your policies and procedures for ensuring that the audit is adequately planned? (GAS, 4.03)		
5.2 What are your policies and procedures for ensuring that a sufficient understanding of the entity and its environment, including its internal control, is obtained to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures? (GAS, 4.03)		
5.3 What are your policies and procedures for auditor communication during planning? (GAS, 4.05-.08)		
5.4 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements? (GAS, 4.09)		
Attestation Engagements		
5.5 What are your policies and procedures for determining whether the subject matter is capable of evaluation against criteria that are suitable and available to users? (GAS, 6.03)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.6 What are your polices and procedures for ensuring that when planning the engagement, the auditors communicate certain information, including their understanding of the services to be performed for each engagement, in writing to entity management, those charged with governance, and to the individuals contracting for or requesting the engagement? (GAS, 6.06-.08)		
5.7 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter? (GAS, 1.28 and 6.09)		
5.8 What are your policies and procedures for planning examination-level attestation engagements, such that auditors obtain a sufficient understanding of internal control that is material to the subject matter, in order to plan the engagement and design procedures to achieve the objectives of the attestation engagement? (GAS, 6.10-.12)		
5.9 What are your policies and procedures for ensuring that in planning examination-level engagements, the auditors' design the engagement to provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of contracts or grant agreements that could have a material effect on the subject matter of the attestation engagement? (GAS, 6.13)		
Performance Audits		
5.10 What are your policies and procedures to ensure the work is adequately planned? (GAS, 7.06-.09)		
5.11 What are your policies and procedures to ensure the work is designed to obtain sufficient, appropriate evidence to address audit objectives, reduce audit risk, and support auditors' findings and conclusion? (GAS, 7.10)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
5.12 What are your policies and procedures to ensure auditors assess audit risk and significance within the context of their audit objectives? (GAS, 7.11)		
5.13 What are your policies and procedures to identify criteria and sources, assign sufficient staff, and communicate planning and performance of the audit with auditee management? (GAS, 7.12)		
5.14. What are your policies and procedures to ensure auditors gain an understanding of the program/program component under review, its relevant risks, purpose, and goals, and internal controls? (GAS, 7.13-.15 and 7.16-.22)		
5.15 What are your policies and procedures for considering risks due to legal and regulatory requirements, to include fraud and abuse, significant within the context of the audit objectives? (GAS, 7.28-.38)		
5.16 What are your policies and procedures for evaluating whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the subject matter? (GAS, 7.36)		
5.17 What are your policies and procedures to ensure auditors obtain an understanding of information systems controls when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems? (GAS, 7.23-.27)		
6. SUPERVISION		
All Engagements		
6.1 What are your policies and procedures for ensuring that the audit is properly supervised? (GAS, 4.03 and 7.52-.54)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
6.2 What are your policies and procedures regarding the documentation of supervisory reviews of audit work? (GAS, 4.20 and 7.80)		
7. EVIDENCE AND DOCUMENTATION		
All Engagements		
7.1 What are your policies and procedures regarding the preparation of appropriate documentation for audit engagements that are terminated prior to completion? (GAS 4.08, 6.08, 7.49, 8.06)		
Performance Audits		
7.2 What are your policies and procedures to ensure that auditors obtain sufficient, appropriate evidence that encompasses relevance, validity, and reliability in support of findings and/or conclusions? (GAS, 7.55)		
7.3 What are your policies and procedures to ensure auditors evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAS, 7.61)		
7.4 What are your policies and procedures to ensure that auditors obtain an understanding of internal control that is significant within the context of the audit objectives? (GAS, 7.16-.22)		
7.5 What are your policies and procedures for developing the elements of a finding? (GAS 7.37-.38; 7.72-7.76)		
Assessing the Reliability of Computer Processed Data		
7.6 What are your policies and procedures for assessing the sufficiency and appropriateness of computer-processed information, whether that information is client-provided or auditor-extracted? (GAS, 7.65)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
Documentation		
7.7 What are your policies and procedures to ensure documentation related to planning, conducting, and reporting of each audit, is properly prepared and reviewed? (GAS, 7.77)		
7.8 What are your policies and procedures for ensuring that audit documentation clearly identifies any deviation from GAGAS requirements and includes the impact of such deviation on the audit conclusions? (GAS, 7.81)		
7.9 What are your policies and procedures to ensure audit documentation is properly retained and safeguarded? (GAS, 7.82)		
Financial Audits		
7.10 What are your policies and procedures for ensuring that sufficient appropriate audit evidence is obtained to provide a reasonable basis for an opinion regarding the financial statements under audit? (GAS 4.03)		
7.11 What are your policies and procedures for developing the elements of a finding? (GAS 4.14-.18)		
Documentation		
7.12 What are your policies and procedures for preparing audit documentation that enables an experienced auditor to understand: (GAS, 4.19-.24)		
<ul style="list-style-type: none"> a. The nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements? (GAS 4.19) b. The results of the audit procedures performed and the audit evidence obtained? (GAS, 4.19) c. The conclusions reached on significant matters? 		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>(GAS, 4.19)</p> <ul style="list-style-type: none"> d. That the accounting records agree or reconcile with the audited financial statements or other audited information? (GAS, 4.19) e. The impact on the audit and the auditor’s conclusions of a departure from GAGAS requirements? (GAS, 4.21) f. Policies and procedures for safe custody and retention of documentation? (GAS, 4.22) g. Procedures for providing other auditors with documentation in a timely manner? (GAS, 4.23) h. How the organization deals with requests by outside parties to obtain access to audit documentation? (GAS, 4.24) 		
Attestation Engagements		
<p>7.13 What are your policies and procedures to determine whether sufficient evidence has been obtained to provide a reasonable basis for the conclusion that is expressed in the report? (GAS, 6.04b)</p>		
<p>7.14 What are your policies and procedures for ensuring that audit findings include the four required elements: criteria; condition; cause; and effect or potential effect? (GAS, 6.15-.19)</p>		
<p>7.15 What are your policies and procedures for ensuring that materiality is considered in an attestation engagement, either individually or in the aggregate, in terms of the fair presentation of a subject matter or an assertion about a subject matter? (GAS, 6.28)</p>		
<p>7.16 What are your policies and procedures for ensuring that attest documentation for each engagement is in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>of engagement procedures performed); the evidence obtained and its source; and the conclusions reached? (GAS, 6.20-.26)</p>		
<p>8. LEGAL AND REGULATORY REQUIREMENTS</p>		
<p>All Engagements</p>		
<p>8.1 What are your policies and procedures for ensuring that your auditors avoid interfering with investigations or legal proceedings while pursuing indications of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse? (GAS, 4.29, 6.29, 7.35)</p>		
<p>Financial Audits</p>		
<p>8.2 What are your policies and procedures for detecting material misstatements resulting from violations of provisions of contracts or grant agreements or from abuse? (GAS, 4.10-.13)</p>		
<p>8.3 What are your policies and procedures for handling the following additional considerations for GAGAS financial audits? (GAS 4.25)</p> <p>a. Materiality in a GAGAS financial audit? (GAS, 4.26)</p> <p>b. Consideration of fraud and illegal acts? (GAS, 4.27-.28)</p>		
<p>Attestation Engagements</p>		
<p>8.4 What are your policies and procedures for ensuring that, in review-level and agreed-upon-procedures-level engagements, if during the course of the engagement, information comes to the auditors' attention indicating that fraud, illegal acts, or violations of provisions of contracts or grant agreements that could have a material effect on the subject matter may have occurred, the auditors will perform procedures as necessary to (1) determine if fraud, illegal acts, or violations of provisions of contracts or grant agreements are likely to have occurred and, if so,</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
(2) determine their effect on the results of the attestation engagement? (GAS 6.13b)		
Performance Audits		
8.5 What are your policies and procedures to ensure auditors (1) determine which laws, regulations, and contractor grant agreement provisions are significant within the context of audit objectives, and (2) assess the risk of any violations? (GAS, 7.28)		
9. REPORTING STANDARDS		
All Engagements		
9.1 What are your policies and procedures regarding a statement in audit and attestation reports that the review was made in accordance with generally accepted government auditing standards? (GAS, 1.11-.13; 5.05-.06; 6.32; and 8.30-.31)		
9.2 What are your policies and procedures for reporting on fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse? (GAS, 5.15-.17; 6.36-.38; 8.21-.23)		
9.3 What are your policies and procedures for reporting findings directly to parties outside the audited entity? (GAS, 5.18-.20; 6.39-.41; 8.24-.26)		
9.4 What are your policies and procedures for presenting findings in a report? (GAS, 5.21-.22; 6.42-.43; 8.14-.17)		
9.5 What are your policies and procedures for reporting views of responsible officials? (GAS, 5.32-.38; 6.44-.50; 8.32-.37)		
9.6 What are your policies and procedures for reporting confidential and sensitive information? (GAS, 5.39-.43; 6.51-.55; 8.38-.42)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.7 What are your policies and procedures for distributing audit reports? (GAS, 5.44; 6.56; 8.43)</p>		
<p>Financial Audits</p>		
<p>9.8 What are your policies and procedures for complying with the AICPA’s four generally accepted reporting standards? (GAS, 5.03) How do your policies and procedures ensure that:</p> <ul style="list-style-type: none"> a. The report states that the financial statements are presented in accordance with generally accepted accounting principles (GAAP)? b. The auditor identifies in the auditor's report those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period? c. When the auditor determines that informative disclosures are not reasonably adequate, the auditor states so in the auditor's report? d. The auditor either expresses an opinion regarding the financial statements, taken as a whole, or states that an opinion cannot be expressed, in the auditor's report? 		
<p>9.9 What are your policies and procedures for reporting on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements, including: (GAS, 5.07-.10)</p> <ul style="list-style-type: none"> a. A description of the scope of the auditors’ testing of internal control over financial reporting and compliance with laws, regulations, and contracts? b. A statement in the report that the auditors are issuing additional reports relating to internal controls and compliance with laws, regulations, and contract requirements, and to make reference to separate reports ? 		
<p>9.10 What are your policies and procedures for reporting</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
deficiencies in internal controls identified as: (GAS, 5.11-.14) a. Significant deficiencies? b. Material weaknesses? c. Those with inconsequential impact to processes?		
9.11 What are your policies and procedures for communicating significant matters in the audit report? (GAS, 5.23-.25)		
9.12 What are your policies and procedures for reporting on restatement of previously issued financial statements, including: (GAS, 5.26-.31) a. The need to advise auditee management when auditors are aware of information that that might have affected their opinion on previously issued financial statement(s)? (GAS, 5.26 & .27) b. Evaluating the timeliness of management’s disclosure and actions to determine and correct misstatements in previously issued financial statements? (GAS, 5.28) c. Reporting on restated financial statements? (GAS, 5.29) d. Reporting on management’s omitted disclosures on restated financial statements? (GAS, 5.30) e. Reporting directly to appropriate officials when the audited entity does not act in an appropriate timeframe after new information became available affecting the financial statements? (GAS, 5.31)		
Attestation		
9.13 What are your policies and procedures to ensure that AICPA reporting standards are met? (GAS, 6.30)		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.14 What are your policies and procedures to ensure that the report includes, as applicable to the objectives of the engagement, and based upon the work performed, discussion on: (GAS, 6.33)</p> <ul style="list-style-type: none"> a. Significant deficiencies in internal control, identifying those considered to be material weaknesses? b. All instances of fraud and illegal acts unless inconsequential? c. Violations of provisions of contracts or grant agreements and abuse that could have a material effect on the subject matter of the engagement? 		
<p>9.15 What are your policies and procedures for reporting deficiencies in internal controls: (GAS, 6.34-.35)</p> <ul style="list-style-type: none"> a. Significant deficiencies? b. Material weaknesses? c. Those with inconsequential impact? 		
Performance Audits		
<p>9.16 What are your policies and procedures to ensure that a report is issued at the completion of the audit, in an appropriate format that clearly and concisely communicates the results to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials and made available to the public, as applicable and facilitate followup to determine whether appropriate corrective actions have been taken? (GAS, 8.03-.07):</p>		

	Section 1 – Reviewed OIG Responses and References	Section 2 – Peer Review Team Comments and Conclusions
<p>9.17 What are your policies and procedures to ensure that the audit report contains, as appropriate: (GAS, 8.08-.20)</p> <ul style="list-style-type: none"> a. The audit objectives, scope, and methodology? b. The audit results, including, findings, conclusions, and recommendations? c. Background information and report limitations? d. The scope of the work on internal control? e. Discussions on deficiencies in internal controls, fraud, and illegal acts, in the context of the audit objectives? f. Conclusion that identified deficiencies in internal control that are significant within the context of the audit objectives are the cause of deficient performance of the program or operations being audited? 		
<p>9.18 What are your policies and procedures to ensure that the audit report contains conclusions, as applicable, based on the audit objectives and the audit findings? (GAS, 8.27)</p>		
<p>9.19 What are your policies and procedures to ensure that the audit report contains recommended actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions? (GAS, 8.28-.29).</p>		
<p>END OF CHECKLIST</p>		