SUMMARY of PEER REVIEW SURVEY RESPONSES
October 2011

Overview

The Audit Committee of the Federal Audit Executive Council disseminated a survey of topics related to audit peer review program in order to evaluate the needs of the audit community. Survey responses were received from 26 member organizations. The benefits, weaknesses, and suggestions identified by survey respondents are summarized in this paper.

The majority of respondents felt that the 2009 guidelines and topics did not require revision or additional explanation for the current cycle of reviews and that it was a reasonable process to assign reviewers to similar size offices.

Some respondents suggested that the Audit Committee standardize common data requests, such as a review of CPE/training records, to a pro-forma standard sent to the reviewed office with the engagement letter. Other suggestions include that CIGIE establish standards for the presentation of statistical projections and that CIGIE disseminate a best practices guide.

Background

To facilitate good governance, it is essential for member organizations periodically to assess programs used to monitor and maintain quality as prescribed by their governing body. To that end, the Audit Committee of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) surveyed Offices of Inspector General regarding the peer review process.

For this effort, the Audit Committee focused on the current CIGIE peer review program and process. The Committee recognized that there will be a request for comments to the updated GAGAS (Yellow Book) and its peer review provisions and guidelines later.

The survey's ten questions covered the topics of guidance, review schedule and assigned training, conduct of the review, reporting results, and other observations and suggestions.

Summary of responses by question and topic:

Peer Review Guide
1. *The most recent peer review guide (Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General) was published in March 2009. Based on your organization's peer review experiences, are there any guidelines or topic areas that require revision or more explanation in the guide? If so, please provide specific details.*

The majority of respondents felt the guidelines and topics did not require revision or additional explanation. However, some respondents felt the guidelines or topic areas needed more explanation in the following areas:

- selection of the sample of audits to review
- policy and procedures to fulfill GAS 7.68-7.71 for documenting an overall assessment of audit evidence
- disagreements between reviewed and reviewing OIG
- how to evaluate the variety of projects issued to address the American Recovery and Reinvestment Act
- who to contact if the report is delayed and will not be issued in within the timeframes as well as how to secure an extension
- review checklist for financial-related audits

Audit Peer Review Schedule and Assignment
1. *The triennial Audit Peer Review Schedule is developed and disseminated by the CIGIE Audit Committee. The schedule identifies the reviewing offices, periods of review, and prior reviewing office. Please provide any suggestions you may have regarding scheduling, timeframes, or assignments.*

Respondents provided the following suggestions:

- set a multi-year rotation schedule so an OIG reviews all other OIGs in its grouping eventually
- extend the review timeframe to 8 or 9 months to allow sufficient time to complete and discuss the results of the review
- a preference not to conduct a peer review on another OIG while subject to a peer review in the same year

The schedule assigns OIGs to review similar size offices based on the size of the Audit staff. These criteria are: Audit staff size less than 10, Audit staff size of 10-100, and Audit Staff size of more than 100.

The majority of respondents felt the review groupings were reasonable.

Does your organization see any benefit of a larger office reviewing a smaller office or vice versa?

The majority of respondents did not see a benefit in applying this concept. Most referenced the following limitations that would deter such a change:

- staffing imbalances between larger and smaller offices
- smaller offices may feel overwhelmed when reviewing a larger office
- larger offices are not attuned to operating within the limitations in a smaller organizational environment

- nature and extent of the quality systems differs between large and small offices and would be understood best by a similar office

Would there be a benefit for your organization to apply this concept?

The majority of respondents did not see a benefit for their organization. However, some did recognize a benefit in seeing how other offices run their organizations, meet standards in different environments, or gain other offices' perspectives.

Please comment whether offices welcome the opportunity to see work processes, common practices, or assignments that are managed in a different size environment.

A majority of respondents welcomed the opportunity to see work processes, practices, and managed assignments in different sized environments. Most respondents noted there are learning opportunities from seeing how other organizations conduct work. However, many recognized the operational challenges (as noted in the aforementioned responses) and the evaluative nature of a peer review may not make it conducive to sharing such information or best practices. Some respondents suggested using a different forum to share this information like disseminating a best practice guide from CIGIE.

2. *Currently, a review is conducted by members of the same office. Would review team members from multiple OIGs benefit the process?*

The majority of respondents did not think a review team of members from different OIGs would benefit the process. They felt it could complicate the process and slow down the review. Others noted that a peer review probably is performed more efficiently by a team from the same organization who have worked together or at least, had similar training.

Some recognized that having teams from multiple OIGs could provide more experiences and perspectives for assessing operations.

Would your organization see any benefits or detriments to having staff from multiple OIGs conduct the reviews? Please explain the benefits/detriments in detail.

Respondents identified the following as benefits:

- would provide staff with different perspectives in conducting a peer review
- may assist some OIGs in appreciating that there is more than one approach to accomplish objectives or conduct a test
- may increase coordination between OIGs on other matters
- promotes cross-learning and diversity
- increased synergy drawn from staff with diverse backgrounds and approaches

Respondents identified the following as detriments:

- maintaining a core team together for report drafting could be difficult
- determining which office will store reviewed materials and working papers could be problematic
- needing more time to reach consensus on approach or issue resolution
- determining which office's staff would be the lead reviewer
- granting access to users not part of the organization may be problematic for some OIGs and could delay the review
- resolving issues related to performance evaluations if someone outside the organization rated performance attributed to the peer review

One respondent suggested utilizing one staff, formed under the auspices of the CIGIE Audit Committee, by members from multiple OIGs. This team would conduct all, or a substantial portion, of the scheduled peer reviews in a given year. The benefit being that one team would have the opportunity to review several audit organizations and report on best practices.

3. *Currently, the same OIG does not review the office it reviewed in the preceding cycle. Does your organization see any benefits or detriments to having the same OIG conduct consecutive peer reviews? Please detail the benefits or detriments in your response.*

Responses to this question were mixed as to whether repeat engagements had clear benefits. Respondents who approved of repeat engagements identified the following benefits:

- familiarization with organization, personnel, and any previous findings would allow the review to be performed more efficiently and expeditiously
- elimination of coordination between current and successor review teams
- reduction to learning curve for staff would help to ensure the reviewer's organization is familiar with working paper organization, reports, level of audit documentation and other topics subject to auditor's judgment
- follow-up on prior recommendations may be more consistent
- greater scheduling flexibility based on repeat engagements

Respondents who disapproved of repeat engagements identified the following detriments:

- higher risk of team becoming complacent, losing objectivity or review skepticism, and breeding familiarity that could impair independence
- no assurance team members would be available for repeat engagement in 3 years and limits the retention of gained knowledge
- review teams would miss the opportunity to evaluate a different OIG and experience other practices and approaches to conducting an audit
- if prior review had some negative aspects/condition it could lead to pre-conceived ideas/judgments that could affect the current review or engagement

One respondent thought that repeating reviews and then rotating on the 3rd cycle may be an effective compromise that considers the aforementioned benefits and detriments.

<u>Training</u>

1. *Topics for consideration may include training content, length of training, timing of training, or other thoughts for improving training related to peer reviews. Does your organization feel staff are trained adequately to conduct peer reviews in accordance with the most recent peer review guide? If not, please provide details regarding how peer review training could be improved within the CIGIE community.*

Most respondents believe that staff are trained adequately to conduct reviews. Many praised the recent round of peer review training presented by CIGIE.

Some suggested improvements included:

- provide concentrated "just-in-time" training to each team as it begins its review instead of conducting general sessions before the review cycle
- consider the use of more technology such as webinars or online training to increase participation
- provide specific training, with explanatory examples, on the differences between Pass with Deficiency versus Fail
- consider not limiting attendance at CIGIE sessions to review leaders and allow all review team members to attend
- conduct training in September for teams who will conduct reviews starting in October
- post training materials online along with the peer review guide so they are readily available
- provide examples of recurring deficiencies needing correction or improvement
- conduct the CIGIE training more frequently

<u>Conducting the Review</u>

1. *Does your organization have general suggestions or comments regarding conducting peer reviews in accordance with the guide? Please provide adequate details in your response for proper consideration.*

Respondents provided the following for consideration:

- CIGIE should consider providing more guidance about Letter of Comment information in relation to the recent legislation about reporting outstanding recommendations from peer reviews. There is also confusion regarding terminology being used to report this information such as "findings," "recommendations," and "deficiencies."

- CIGIE should provide guidance clearly addressing information security and data handling. Recently, some teams have been asked to sign Rules of Behavior declarations before gaining access to data.

2. *Does your organization have any suggestions about how to streamline or conduct work in advance of the formal start of the review? For example, would it beneficial for the Audit Committee to standardize common data requests (like review of CPE/training records) to a standard pro-forma that could be sent to the reviewed office with the engagement letter and returned to the reviewing OIG at the entrance conference. If so, please provide examples or review topics where this should be pursued.*

The majority of respondents thought establishing standard pro-forma would be beneficial. Respondents provided the following examples or topics for consideration:

- training records submission
- audit tracking information (staff days, elapsed days, responsible office, engagement management/team, primary contacts, location of working papers, format (electronic or paper) of working papers)
- description of organization's quality assurance program and copies of internal monitoring reviews
- crosswalk between organization's audit documentation system and guide appendices
- standard CIGIE nondisclosure of information form
- only if pro-forma are in electronic format

Reporting Peer Review Results

1. *Does your organization have any comments, feedback, or suggestions regarding reporting peer review results? If so, please provide adequate details regarding suggestions for improvement.*

Respondents provided the following for consideration:

- peer review report should be one unified document as opposed to a transmittal letter, opinion, and letter of comment
- move opinion to first paragraph
- require reviewing OIG to provide 508 compliant reports to recipient OIG
- dedicated webpage administered by CIGIE were public can access peer review reports
- the Letter of Comment should not be placed on websites as it may call one Inspector General to testify about the audit operations of another

2. *Does the guide provide sufficient guidance for reporting the results of the reviews, e.g., form and content of the illustrative reports, letter of comment, or transmittal letters? If not, please provide adequate details regarding deficiencies or suggestions for improvement.*

Respondents provided the following for consideration:

- common level of understanding or materiality threshold as to what should be included in the Letter of Comment. (For example, does missing 1 of 50 independence statements elicit reporting in Letter of Comment?)
- clarification regarding Pass with Deficiency versus Fail with explanatory examples
- clarification regarding including information from peer reviews in SARCs
- clarification on what is needed in Memorandum of Understanding between OIGs
- consider addressing Letter of Comment to head of Audit as opposed to Inspector General or both
- clarification regarding to whom in the CIGIE community to send peer review report

Yellow Book Question
The peer review guide will need to be updated, as needed, once the revised Yellow Book is finalized (expected Summer 2011). We expect to train peer review staff on the new Yellow Book once the revised Yellow Book is final.

There will be three groupings of peer reviews during the triennial peer review cycle.
   a. All work under review will have been conducted under the pre-2011 revision of the Yellow Book.
   b. Work under review will be a mix of pre-2011 revision and 2011 revision Yellow Books.

Respondents anticipated attending the training. No substantial comments provided.

Other Observations or Suggestions

   1. *Does your organization have general observations, comments, or suggestions regarding the peer review program or process for the CIGIE community? Please provide adequate details in your response for proper consideration.*

Some respondents provided suggested changes or topics to the guide for clarification as follows:

7.6a. What are your policies and procedures for performing and documenting an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments? (GAS, 7.68–7.71)

In addition, two of the questions in Appendix E (fourth bullet in 1-1 and fourth bullet in 4-1) may be misleading or confusing to the reviewers. The text does not match what is actually discussed in the quoted GAS citations, and the reviewers were relying on the text and not looking up the GAS reference.

Old bullet in 1-1:

Did the OIG determine that auditors assigned to the audit are free of impairments to external independence in both fact and appearance? (GAS, 3.10)

Suggested Change:

Did the OIG identify and resolve any external impairments to independence, including actual or perceived pressures from management and employees of the audited entity or oversight organizations? (GAS, 3.10–3.11)

The "impairments to external independence" is confusing. Most reviewers took it as a repetition of the bullet asking about personal impairments rather than evaluating the existence of and actions to address external impairments to independence experienced by the audit team.

Old bullet in 4-1:
Perform sufficient procedures to evaluate the effectiveness of internal controls, including information systems controls? (GAS, 7.16, 7.65)

Suggested Change:
Perform sufficient work to assess the sufficiency and appropriateness of computer-processed information? (GAS, 7.65)

Internal controls and information systems controls (GAS, 7.16–27) were covered in two bullets in question 2-3. GAS 7.65 covers the evaluation of computer generated evidence and is properly positioned in 4-1, but is not mentioned at all in the language of the bullet. Some of the reviewers overlooked the requirement for data reliability assessment or placed any concerns noted in a general standards question.

It would be helpful if CIGIE created disseminated a standardized CCH TeamMate© template library for conducting peer reviews.

We would like to see CIGIE establish standards for the presentation of statistical projections. When an audit selected for peer review includes statistical data in the report, we would like to see the audit organization demonstrate that the statistical presentation meets CIGIE standards. CIGIE should have a standard requiring an audit organization to identify:

- Confidence interval. Suggest reporting in body and appendix (if any) of report
- Margin of error. Suggest reporting body and appendix (if any) of report
- Sample site population values (i.e., M_i). Suggest reporting in body of report

It may be beneficial to include a survey instrument in the guide and request it be completed by the reviewing OIG at the end of the peer review and submitted to the Audit Committee.

CIGIE should consider rotating the Audit Committee Chairman every two years, which could provide new blood, ideas, and experiences.