
Illustrative Memorandum of Understanding – 2011 Revision to GAS

EXTERNAL PEER REVIEW MEMORANDUM OF UNDERSTANDING BETWEEN THE INSPECTORS GENERAL FOR (AGENCY NAME) AND (AGENCY NAME)

Purpose

The purpose of this Memorandum of Understanding (MOU) is to ensure a mutual understanding between the (insert name of reviewing agency) Office of Inspector General (OIG) and the (insert name of reviewed agency) OIG regarding the fundamental aspects of the external peer review of the (insert name of reviewed agency) OIG's audit organization. The parties listed in the MOU entered into this agreement pursuant to the authority of the Inspector General Act of 1978, as amended.

Points of Contact

(list contacts for reviewing agency OIG)

(list contacts for the reviewed agency OIG)

Staffing of (insert name of reviewing agency) OIG Review Team

The review team captain is (name and title). The team members will collectively have sufficient knowledge to perform the peer review. To the extent feasible, the team includes personnel with prior experience on a peer review or internal quality assurance team. The review team captain is responsible for the proper supervision of the review team.

Objective

The objective of this external peer review is to determine whether, for the period under review, the (insert name of reviewed agency) OIG audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system to provide it with reasonable assurance of conformance with applicable professional standards. As applicable, the peer review will also determine whether controls over monitoring of contracted audits performed by Independent Public Accountants (IPA), where the IPA serves as the principal auditor, are suitably designed and complied with.

Review Approach

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*

(Guide), dated March 2009, and its Addendum, dated November 2012, will be used to conduct the review. As set forth in the Guide, the approach to the review will be to:

- Gain an understanding of the (insert name of reviewed agency) OIG’s audit organization and its system of quality control.
- Evaluate whether the (insert name of reviewed agency) OIG’s policies and procedures are designed to provide reasonable assurance that generally accepted government auditing standards (GAGAS) and other pertinent requirements are met.
- Interview various levels of the (insert name of reviewed agency) OIG’s professional staff to assess their understanding of and compliance with relevant quality control policies and procedures.
- Gain an understanding of the (insert name of reviewed agency) OIG’s quality control and assurance program, and review selected internal reports.
- Using the knowledge obtained from the preceding steps, assess review risk, select the office(s) and audits to review, and determine the nature and extent of tests to perform.
- Review a sample of individual audits and attestation engagements, determining their adherence to GAGAS.
- Gain an understanding as to the extent the (insert name of reviewed agency) OIG uses contracted IPAs to perform audits and attestation engagements where the IPA is the principal auditor, and the policies and procedures for monitoring of IPA work.
- Review the (insert name of reviewed agency) OIG’s IPA monitoring documentation for a sample of contracted audits and attestation engagements, emphasizing the monitoring activities to ensure the IPA’s adherence to professional standards.
- Review other documents necessary for assessing compliance with standards; for example, independence documentation, continuing professional education records, and relevant human resources files.
- Maintain open communication with the (insert name of reviewed agency) OIG to ensure an understanding of the issues evaluated and an awareness of potential issues as they arise.

As indicated above, the office(s) selected for review and the nature and extent of testing will depend largely on the assessment of review risk. The review team will sample audit and internal quality assurance activities at field offices as well as at headquarters. The review team will also sample the audits it believes are necessary to meet the review objectives. During the review, the team will exercise professional judgment in all matters relating to planning, performing, and reporting the results of the external peer review.

Scope of the External Peer Review

The scope of the external peer review will cover the elements of the (insert name of reviewed agency) OIG audit organization’s system of quality control that are designed to provide reasonable assurance that audits and attestation engagements conducted by the office, or for which it directly contracts, are carried out in accordance with GAGAS. The review will include

audit and attestation reports issued during the 1-year period that ends 3 years after the end date of the period covered by (insert name of reviewed agency) OIG's prior external peer review. The review team may review other audits and attestation engagements as it deems necessary. The review team will also review select internal quality assurance review reports and related review documentation issued during and subsequent to the 3-year period.

(Insert name of reviewed agency) OIG Nonaudit Services

The (insert name of reviewed agency) OIG shall provide, in writing, a description and a listing of all nonaudit services rendered within the prior 3 years. The (insert name of reviewed agency) OIG shall also provide any related audit documentation required for the independence standards by the December 2011 revision of *Government Auditing Standards*, 3.59.

Administration

The (insert name of reviewed agency) OIG shall designate an individual to facilitate administrative support and provide the review team with the appropriate office space, desks, telephone service, and access to copying facilities. The review team shall have access to all (insert name of reviewed agency) OIG's personnel. The review team shall be provided access to all internal quality assurance documents, audit and attest documentation, operational manuals, and other files of the reviewed audit organization deemed necessary to conduct the external peer review. The (insert name of reviewed agency) OIG will inform the review team of any circumstances, such as classified audits, that will require a certain level of security clearance to review. The review team will provide personnel with the appropriate clearance level to perform the review, as well as follow the (insert name of reviewed agency) OIG's procedures for handling classified materials.

External Peer Review Milestone

The following represents the review team's estimated timeline for its review (dates below are for illustrative purposes only):

- Preliminary work to be completed, October 2012.
- Entrance conference, November 2012.
- Fieldwork to be completed, January 2013.
- Discussion draft report transmitted to (insert name of reviewed agency) OIG's Assistant Inspector General for Audit (AIGA), January 2013.
- Exit conference and submission of any unofficial comments, February 2013.
- Formal draft report transmitted to (insert name of reviewed agency) OIG's AIGA, February 2013.
- Formal written response from (insert name of reviewed agency) OIG's AIGA, March 2013
- Final report issued to (insert name of reviewed agency)'s Inspector General, March 2013

Preliminary Findings

There will be timely interim discussions of preliminary findings with the goal of reaching agreement on each potential issue at the earliest point in the review. An exit meeting will be held for each site reviewed. The primary purpose of these meetings is to verify facts related to the audits or attestation engagements or other documentation.

At the completion of the fieldwork, the review team will hold an exit briefing. The purpose of this exit briefing is to discuss the preliminary results of the peer review, the opinion to be expressed, and any areas of noncompliance.

Reporting

After the preliminary findings have been discussed and facts verified, the (insert name of reviewing agency) OIG's AIGA will issue a discussion draft report to the (insert name of reviewed agency) OIG's AIGA rendering a preliminary opinion on the system of quality control. A separate letter of comment will also be provided as necessary. The (insert name of reviewing agency) OIG will then arrange and hold an exit conference. The purpose of the exit conference is to discuss the results of the peer review, the opinion to be expressed, and any areas of noncompliance. The (insert name of reviewed agency) OIG will provide informal comments on the discussion draft at the exit conference. The (insert name of reviewing agency) OIG's AIGA will issue an official draft report to the (insert name of reviewed agency) OIG's AIGA. The (insert name of reviewed agency) OIG will provide its written comments within 30 days after the official draft report is issued. A final written report will be signed by the (insert name of reviewing agency) Inspector General and issued to the (insert name of reviewed agency) Inspector General. The final written report will be prepared in accordance with the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. The (insert name of reviewed agency) OIG will be responsible for distributing the report in accordance with GAGAS and the CIGIE Guide. The (insert name of reviewing agency) OIG will refer any third party requests for the report to the (insert name of reviewed agency) OIG.

Disposition of Review Documentation

The review team will prepare appropriate documentation to support the work performed and the results of the review. The (insert name of reviewing agency) OIG shall keep this documentation until a subsequent external peer review is performed of the (insert name of reviewed agency) OIG. The (insert name of reviewed agency) OIG shall have access upon request to the review team's documentation during the comment period and after the issuance of the final report. If either OIG receives a request (e.g., Freedom of Information Act requests, litigation [discovery] demands, or requests from oversight bodies) for documentation that was obtained from the other OIG during the peer review, the OIG receiving the request shall not release or disseminate such documentation without consulting with the other OIG, and obtaining, if possible, the other OIG's disclosure recommendations. Depending on the nature of the request, the reviewing OIG may need to refer the requested/demanded documentation to the reviewed IG for further processing. Additional details on the handling of such requests are provided in the Appendix.

Appendix

Additional Information Related to Disposition of Review Documentation

In the case of requests or legal demands received by the *reviewing* entity for peer review documentation, the reviewing entity will consider the documentation it received from the reviewed entity to still be within the reviewed entity's possession and control, and:

- for requests under the Freedom of Information Act (5 U.S.C. 552), the reviewing entity (a) will provide **documentation supplied** by the reviewed entity to the reviewed entity for response directly to the requester; and (b) will consult with the reviewed entity regarding **reviewed-entity information** contained in documentation **generated** by the reviewing entity and will obtain the reviewed entity's disclosure recommendations and legal basis therefor relative to such information, provided however, that the reviewing entity (or, where applicable, the reviewing entity's agency) has final say as to the response to the requester. In all cases, the reviewed and reviewing entities will comply with statutory provisions, implementing guidance from the reviewed entity's agency, and applicable case law in making their disclosures or withholdings of peer review documentation.
- for discovery demands under the applicable rules of civil procedure or similar legal process and other legal authorities--to include subpoenas--for some or all of the peer review documentation, the reviewing entity will advise the reviewed entity of the existence of such demands and will advise the litigating parties or adjudicative body that the documentation being sought belongs to the reviewed entity. The reviewed entity will have the responsibility to (a) advise the reviewing entity regarding whether, or under what circumstances, to produce the documentation being sought or (b) intervene or otherwise communicate with the litigating parties or adjudicative body regarding the production of such documentation or the obtaining of protective orders or equivalent, as permitted under applicable law.
- for requests from oversight bodies, such as the Government Accountability Office or reviewing bodies empowered to examine peer reviewing entities, the reviewing entity will advise the reviewed entity of the existence of such request and will advise the oversight body that the requested documentation belongs to the reviewed entity. The reviewed entity will have the responsibility (a) to advise the reviewing entity regarding whether, or under what circumstances, to provide the requested documentation or (b) communicate with the oversight body regarding the requested documentation.

In the case of requests or legal demands received by the *reviewed* entity for peer review documentation, the reviewed entity will consider the documentation it provided to the reviewing entity to still be within the reviewed entity's possession and control. If, as part of its efforts to respond to such requests or legal demands, the reviewed entity needs access to the documentation that it had provided to the reviewing entity, the reviewed entity shall be given access, upon its request, to the documentation and may review and/or copy the documentation (or, if agreed upon by the parties, the reviewing entity shall make copies of the documentation and provide those copies to the reviewed entity).