

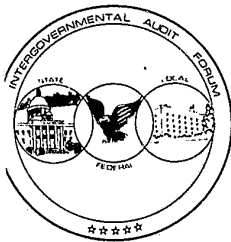
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MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

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A SYSTEM FOR PEER QUALITY ASSESSMENTS OF GOVERNMENT AUDIT AGENCIES



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**MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
DECEMBER 1979**

'UNDERSTANDING THROUGH COMMUNICATION'

LOCAL

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

STATE

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FEDERAL

FOREWORD

The importance of auditing in government is being recognized increasingly by government officials and the public. Managers know that audit findings and recommendations lead to achieving lower costs and better ways of getting things done. In brief, audits contribute greatly to effective program management.

This publication represents the peer quality assessment system sponsored by the Midwestern Intergovernmental Audit Forum. It is based on audit standards promulgated by the American Institute of Certified Public Accountants and the Comptroller General of the United States. It contains evaluation standards, evaluation aids, review instruments, and a management structure to assess an audit agency's overall quality control policies and procedures and in particular, operational elements for financial and compliance auditing. A companion publication dealing with operational elements special to economy and efficiency and program results auditing will be issued later.

The State Auditor's Coordinating Committee and the National Intergovernmental Audit Forum's Committee on Quality Review will design a quality assessment process with broad scope for national implementation. Such a process will use features such as those in this publication and in guidelines being developed and tested by other regional forums. We offer this publication to the regional forums and to other organizations for use as an assessment system. We also suggest its use as a self-improvement guide.

This publication can be used in its entirety or in segments. For example, users of the system may opt not to score and grade an audit agency's conformance to standards. The system's flexibility allows evaluators to stop short of a conformance decision, yet make important suggestions and recommendations for improvement.

This publication was prepared by the Midwestern Forum's Committee on Peer Quality Assessment. Its members are

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JUN 13 1980

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Tom Bannon - Office of Regional Inspector General for
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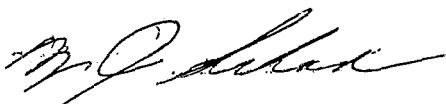
Clay Nelson, Executive Administrator, made special contributions in helping to form our system.

On behalf of the Midwestern Forum I wish to extend appreciation to the Committee members and the audit organizations they represent for outstanding contributions to this project. I also wish to thank the three audit directors who volunteered their organizations for test peer reviews and the team members who conducted the reviews. Without their contribution, cooperation, and assistance, we could not have developed this assessment system.

If you wish to comment on the Midwestern Forum's system, feel free to contact:

W. J. Schad, Chairperson
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Sincerely,



W. J. Schad, Chairperson

TABLE OF CONTENTS

<u>SEGMENT</u>	<u>DESCRIPTION</u>
1	AN OVERVIEW OF THE PEER QUALITY ASSESSMENT SYSTEM
2	BYLAWS
3	AUDIT GUIDE FOR PEER QUALITY ASSESSMENTS OF GOVERNMENT AUDIT AGENCIES
4	WORKSHEET FORMAT FOR ASSESSING AND SCORING AUDIT AGENCY CONFORMANCE TO EVALUATION STANDARDS
5	REPORT FORMAT
6	SAMPLE ENGAGEMENT LETTER
7	TEAM APPLICANT QUESTIONNAIRE
8	APPLICANT AUDIT AGENCY QUESTIONNAIRE
9	COVER LETTERS AND AUDIT STAFF QUESTIONNAIRE
10	COVER LETTERS AND AUDIT REPORT USER QUESTIONNAIRE
11	COVER LETTERS AND AUDITEE QUESTIONNAIRE

ABBREVIATIONS

EDP	ELECTRONIC DATA PROCESSING
GAO	U.S. GENERAL ACCOUNTING OFFICE
OMB	OFFICE OF MANAGEMENT AND BUDGET

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 1

AN OVERVIEW
OF THE
PEER QUALITY ASSESSMENT SYSTEM

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

AN OVERVIEW OF THE PEER QUALITY ASSESSMENT SYSTEM

The quality of the work of government audit organizations is a matter of national concern. As we enter the 1980s, government officials and the public alike will increasingly depend upon auditors to search out fraud and abuse and to identify waste, inefficiency, and mismanagement. The audit community must be ready to handle these increasing responsibilities and challenges.

Changes and reforms are being proposed now which lay the groundwork for improved audit performance. For example, the Office of Management and Budget (OMB) in a revision to Circular A-102, published in October 1979, recognizes the need for a quality assessment of audit work as an integral part of the single audit concept. OMB will cooperate with Federal, State, and local officials to develop a program to assure that audits are made in accordance with auditing standards. In that connection, Senate Bill 904 calls for the Director, OMB, with the approval of the Comptroller General of the United States, to establish and approve a quality review process to assure the proper performance of single independent financial and compliance audits of federally-assisted programs of State and local governments or entities and their subgrantees.

Improvement in the many government audit organizations and elimination of unnecessary duplicative use of audit resources alone will save the government millions of dollars. The Midwestern Intergovernmental Audit Forum believes its peer quality assessment system can fill the void in management systems with quality reviews that will enable (1) government audit agencies to assess and improve the quality of their organizations and the audits they perform, (2) members of the audit community to use the results of audit and thereby significantly reduce the aggregate time devoted to audits of federally-assisted programs, and (3) the public to accept the work performed by government audit agencies with greater confidence.

HOW THE PEER QUALITY ASSESSMENT SYSTEM BEGAN

The Midwestern Intergovernmental Audit Forum has maintained a continuing interest in how government audit agencies can more effectively use the audit work performed by others. This interest reached a new peak in May 1978 when the Forum agreed to sponsor a peer review project that would offer answers to two longstanding problems--unnecessary audit duplication and ineffective use of resources. The Forum accepted Bill Schad's (Assistant Regional Manager, U.S. General Accounting Office, Chicago) offer to prepare tentative guidelines, establish an assessment system, and to manage the overall project for the Forum.

For 2 months after that meeting, he and two staff reviewed and considered a plethora of data in the various fields of professional peer and accreditation reviews, standards of audit, control systems, and related

publications. The rudiments of a system were beginning to form by August 1978 when a draft guideline was completed and sent to Forum members for comment and reaffirmation of support. At the same time, members were asked to volunteer their agencies for review, to recommend staff for review teams, and to recommend managerial people to serve on a committee to oversee the project. The members responded enthusiastically.

At the October 1978 meeting the Forum resolved to create a Committee (later called Committee on Peer Quality Assessment) with authority to conduct three "test" reviews of applicant audit agencies. Soon after, a Committee of eight managerial-level persons representing Federal, State, and local agencies met to consider the review materials to be used for the "test" reviews, to plan for the reviews, and to select the audit agencies for review and leaders and members for the review teams. Since then, three "test" peer reviews of financial and compliance matters of volunteer government audit agencies at the Federal, State, and local levels were conducted and the results reported to the audit agency heads.

COMPONENTS OF THE PEER QUALITY ASSESSMENT SYSTEM

The three major components of the system are the Committee, review teams, and review instruments. The Committee manages and oversees the system; the review teams conduct the reviews and report the results to the Committee; and the review materials provide the road map to the Committee and to each review team to assess an audit agency and to report the results to the agency head.

The Committee, as commissioned by the Midwestern Intergovernmental Audit Forum, has authority and responsibility covering the spectrum of management and oversight of the system. Negotiating engagement agreements, staffing review teams, and making decisions on conformance to standards are but a few of the Committee's activities. In brief, the Committee, through its management and coordination functions, gives needed continuity to the project.

Review team members act as the eyes and ears of the Committee when assessing the quality of an audit agency's policies and controls and financial and compliance audit work. Teams usually consist of five supervisory level auditors with a cross section of Federal, State, and local government experience. Each review team member serves as information gatherer and evaluator. Three members review the work quality of individual audit assignments, one member concentrates on audit policy matters, and the leader coordinates the work and fills in as needed. The team's end product is a well-written report containing supportable and consistent facts and conclusions on an audit agency's conformance to standards.

The system's third major component, the review instruments, contain the evaluation standards and other guidance and information which enable the Committee and review teams to evaluate and conclude on the appropriateness and quality of an audit agency's policies and practices. The instruments consist of the following:

- Audit Guide for Quality Reviews of Government Audit Agencies.
- Team Applicant Questionnaire.
- Applicant Audit Agency Questionnaire.
- Audit Staff Questionnaire.
- Audit Report User Questionnaire.
- Auditee Questionnaire.
- Summary Format for Assessing and Scoring Audit Agency Conformance to Evaluation Standards.

A brief description of each instrument follows.

Audit Guide for Peer Quality Assessments of Government Audit Agencies

The audit guide contains 52 evaluation standards that apply to Federal, State, or local audit agencies and the financial and compliance audits they perform. Some evaluation standards are followed by statements or questions that are designed to aid the team in identifying important characteristics pertaining to the standard. Policy and operational elements common to audit organizations and those special to financial and compliance auditing are covered. The guide explains the grading and scoring system each review team uses to form conclusions on agency conformance to standards.

Team Applicant Questionnaire

Federal, State, and local auditors who are recommended by the heads of their agencies to serve on review teams are asked to complete a questionnaire covering such matters as work experience, education, licenses, certifications, and special knowledge or experience. The Committee maintains the biographic information on each volunteer and uses it to select qualified persons to serve on review teams. Major factors used by the Committee in considering selection of team members are

- background and current work position,
- education level, including degree specialization,
- licenses and certifications,

- appropriate team mix of Federal, State, and local auditors,
- geographic location of team members in relation to travel requirements, and
- independent relationship with agency to be reviewed.

Applicant Audit Agency Questionnaire

Before the review team begins the onsite review, the Committee elicits policy and procedure representations and operational statistics from the audit agency. The completed questionnaire gives the Committee and review team a solid information base from which to plan and launch the review. The agency is asked to file statements on such diverse matters as mission requirements; constitutional, statutory, and regulatory provisions the audit agency is required to follow; and the agency's provisions for right-of-access to records and documents. The agency also lists names and addresses of audit staff, audit report users, and auditees for the Committee's use in handling questionnaires.

Audit Staff Questionnaire

The Committee asks each audit staff member of the agency to be reviewed to complete a questionnaire designed to obtain staff views on policy and operation matters. The questionnaire, which is mostly in a yes/no answer format, covers such areas as independence, planning, supervision, and professional development. The Committee summarizes the responses for the team's use.

Audit Report User Questionnaire

The purpose of the questionnaire is to obtain views of audit report users--program officials, legislative committee members, members of oversight commissions--on the audit agency's work. Report users are asked to respond with a yes/no answer to a series of questions, many dealing with clarity and usefulness of audit reports. The Committee summarizes the responses for the team's use.

Auditee Questionnaire

Auditees are also asked to give their views on audit performance through a series of questions in a yes/no format. As with the other questionnaires, the Committee summarizes the responses for the team's use.

Summary Format for Assessing Audit Agency Conformance to Evaluation Standards

The purpose of this instrument is to give the review team a mechanism to develop conclusions on an audit agency's compliance with each evaluation standard. It also enables the team to score the agency's overall conformance to evaluation standards.

HOW THE PEER QUALITY ASSESSMENT SYSTEM WORKS

The Committee, review team, and review instruments are not enough to make the system operational. A method and timetable for planning and completing reviews are needed to structure and mold the project into a unified system.

The following chronology traces the Midwestern Intergovernmental Audit Forum's method and timetable from the engagement agreement to the issued report.

<u>Description</u>	<u>Elapsed calendar timeframe in weeks</u>
*Committee sends engagement agreement to audit agency to be reviewed for agency head's approval and signature.	
*Committee sends questionnaire to audit agency to elicit policy and procedures and operational statistics.	Concurrent
*Committee receives signed agreement from agency to be reviewed.	1
From a pool of volunteers, Committee selects five-person team of Federal, State, and local auditors with supervisory experience to conduct onsite review.	Concurrent
*Audit agency supplies Committee with policy and operational matters.	1
*Committee sends questionnaires to agency staff, audit report users, and auditees to obtain views on policy and operational matters.	1
*Committee reviews responses to questionnaires and sends followup request letters as needed.	3
*Committee completes questionnaire summaries and provides review team with results of questionnaires.	2
Committee representatives and review team hold prereview meeting to get acquainted and to plan work.	Concurrent
Review team conducts onsite review of audit agency.	2

*These functions may be carried out by a Committee member's agency on behalf of the Committee.

<u>Description</u>	<u>Elapsed calendar timeframe in weeks</u>
Review team holds exit conference with audit agency head to present results of questionnaires and onsite review.	Concurrent
Review team meets to discuss and agree on team report.	3
Review team sends complete report including agency comments to Committee	1
Committee meets to consider merits of team report.	1
Committee issues report to audit agency head.	2
Committee issues recommendation to Midwestern Intergovernmental Audit Forum on appropriate certifications to be issued to audit agency head.	Concurrent

SUMMARY.

During the project's experimental stage the Midwestern Intergovernmental Audit Forum used a unique multiorganizational approach called peer review. Report findings took the form of constructive suggestions and recommendations to improve an audit agency's policies and practices. The peer review report was issued to the audit agency head who controlled its distribution. An opinion on the agency's conformance to standards was not issued.

The method and timetable now remain largely unchanged, but as a result of lessons learned during the test phase, the review instruments are amended significantly, particularly the evaluation standards. In addition, the Committee designed a grading and scoring system that enables the review team to form gradations of agency compliance to standards and to assess the agency's overall conformance.

Peer Quality Assessments of Midwestern Intergovernmental Audit Forum organizations will continue on a voluntary basis. This publication is also available to other organizations as a system for assessing an audit agency's conformance to standards, as a supplement to an existing evaluation process, and as a self-improvement guide. The system can be used in its entirety or in segmented portions. For example, organizations may not opt to score and grade an audit agency's conformance to standards. In such cases the system's flexibility allows evaluators to stop short of a conformance decision, yet make important suggestions and recommendations for improvement.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 2

BYLAWS

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

BYLAWS

ARTICLE I

INTRODUCTION

1.1 BYLAW AUTHORITY

These Bylaws constitute the authority for and policy governing the peer quality assessment system of the Midwestern Intergovernmental Audit Forum. The system is based on audit standards promulgated by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

1.2 DEFINITIONS

When used in these Bylaws, the following words and phrases have the following meanings.

Peer Quality Assessment means a review performed to determine the quality and performance of an audit agency's compliance to evaluation standards.

Committee means the Committee on Peer Quality Assessment as created in Section 3.1 of these Bylaws.

Forum means the Midwestern Intergovernmental Audit Forum.

System means the evaluation and assessment program of the Midwestern Intergovernmental Audit Forum.

Certification means the issuance of a certificate of compliance by the Forum to an audit agency that has undergone a peer quality assessment and complies to evaluation standards.

ARTICLE II ORGANIZATION

2.1 PROGRAM GOVERNANCE

The Peer Quality Assessment System of the Midwestern Intergovernmental Audit Forum shall be governed by the Forum and administered by the Committee in accordance with these Bylaws.

2.2 PURPOSE

The purpose of the System is to develop and maintain objective and independent peer quality assessments that will enable (1) government audit agencies to improve the quality of their organizations and the audits they perform, (2) members of the audit community to use the results of audit and thereby reduce the aggregate time devoted to audits

of federally-assisted programs, and (3) the public to accept the work performed by government audit agencies with greater confidence.

2.3 STRUCTURE

The program consists of:

- the Forum, which acts as the authority over the System and sets goals and policy;
- the Committee, which is under the direction of the Forum and is responsible for the operation and administration of the System; and
- review teams, which are under the supervision of the Committee and responsible for performing the field work and other fact finding necessary to any specific review.

ARTICLE III COMMITTEE ON PEER QUALITY ASSESSMENT

3.1 CREATION, IDENTITY, AND PURPOSE

There is created the Committee on Peer Quality Assessment of the Midwestern Intergovernmental Audit Forum to replace the former Committee on Peer/Accreditation.

The purpose of the Committee is to administer and maintain the operations of the Peer Quality Assessment System by providing the means to conduct reviews to:

- determine the quality of audit work done by an audit agency; and
- determine the degree to which an audit agency meets evaluation standards applicable to government audit agencies.

3.2 GENERAL POWERS

Pursuant to these Bylaws and any applicable directives of the Forum, the Committee shall have the following powers:

- To administer the activities of the System.
- To adopt, modify, or repeal evaluation standards, guidelines, evaluation criteria, and requirements for assessments of audit agencies.

--To make policy and procedural decisions affecting the System which are not inconsistent with the Bylaws or directives of the Forum.

--To plan and arrange reviews undertaken as part of the program.

3.3 MEMBERSHIP, TENURE, AND QUALIFICATION

The Committee shall consist of eight members elected by the Forum. Members shall be either an audit agency principal or the designee of the agency principal, provided that the designee has agencywide authority and supervision.

A member shall serve on the Committee for two years, subject to Section 3.4, and until his successor is selected. The chairperson of the Committee shall be the chief presiding officer of the Committee and shall be appointed from the membership of the Committee by the Forum.

The eight members of the Committee shall be selected from member audit agencies as follows:

3 from State audit agencies

2 from local audit agencies

2 from Federal audit agencies other than the
General Accounting Office

1 from the General Accounting Office

3.4 TERMINATION AND VACANCIES

A vacancy exists whenever an individual member resigns, no longer has agencywide authority and supervision with the agency from which he was appointed, or fails without good cause to attend three or more consecutive meetings.

3.5 QUORUM REQUIREMENT

Five or more members constitute a quorum to transact business at meetings.

3.6 MANNER OF ACTING AND VOTING

Discussions shall be decided by vote; each member shall have only one vote; and an act of the majority when a quorum is present shall constitute an act of the Committee. If a member cannot attend a meeting, he may send an alternate who shall act in his/her place as a voting member of the Committee.

Voting shall be by ballot or voice call and shall be secret if three or more of the members voting so request. There shall be no absentee or proxy voting.

Roberts' Rules of Order shall govern the conduct of meetings except as modified by the Bylaws or rules of order adopted by the Committee.

3.7 CORRESPONDENCE MEETINGS

The Committee may hold meetings by correspondence and take any action which the Committee could take if meeting in person provided that the resolution being voted on is in writing; that five or more members vote affirmative for the action to be adopted and sign the resolution.

Rules, regulations, policies, and procedures governing in-person meetings of the Committee shall apply to correspondence meetings to the extent that such rules, regulations, policies, and procedures are not inconsistent with the concept of a correspondence meeting.

3.8 MEETINGS

Meetings shall be at the call of the chairperson or at the call of any three members.

ARTICLE IV REVIEW TEAMS

4.1 CONDUCT OF REVIEWS

Assessments conducted by the Committee shall be pursuant to adopted evaluation standards and guidelines. Review teams shall be formed in accordance with these Bylaws.

4.2 REVIEW TEAMS

Federal, State, and local auditors shall be recommended to the Committee by the heads of their agencies to serve on review teams. From biographic information obtained from team volunteers, the Committee shall select team members using the following dominant factors:

- background and current work position;
- education level including degree specialization;
- licenses and certifications;
- geographic location of team members in relation to travel requirements; and

--independent relationship with agency to be reviewed.

Review teams shall consist of five persons with a cross section of Federal, State, and local government experience. The level of government reviewed shall be represented on the team. Based on experience gained during the "test" reviews, two weeks is a benchmark to complete the on-site review work.

4.3 REVIEW REPORTS

At the conclusion of the review, the team shall meet with the head of the audit agency to present findings, conclusions, and recommendations and to obtain the agency head's response. A team report shall be prepared which includes and considers agency positions as appropriate. The team shall obtain the auditee's written comments before it sends the report to the Committee. Four weeks from the completion of the onsite work can be considered a reasonable benchmark to prepare a team report.

4.4 RESOLUTION OF CONTROVERSIES

Controversies arising between auditee and final audit determinations shall be resolved by the Committee. A final decision of the Committee may be appealed to the Forum or oversight group set up by the Forum for that purpose.

4.5 MAINTENANCE OF AUDIT TEAM RECORDS

Upon approval of the audit report by the Committee, the workpapers of the review team shall be forwarded to the Committee who shall be designated the custodian in accordance with the Bylaws.

ARTICLE V PROGRAM SPECIFICATIONS

5.1 ESTABLISHMENT OF STANDARDS

The Committee shall develop and adopt performance related evaluation standards for the conduct of its reviews and the certification of compliance process. These standards shall apply to Federal, State, and local government audit agencies and the financial and compliance audits they perform. Policy and operational elements common to auditing and those special to financial and compliance auditing shall be covered. The evaluation standards shall include grading and scoring criteria and criteria for the issuance of certificates of compliance.

5.2 FINAL DISPOSITION OF RECORDS AND WORKPAPERS

Workpapers maintained by the Committee shall not be released to anyone prior to the issuance of the report described in paragraph 5.4. After

the issuance of such report but prior to the issuance of a certification pursuant to paragraph 6.1, copies of workpapers may be released only to the head of the agency which is the subject of such workpapers, in response to the request of such persons.

After the issuance of a certificate pursuant to paragraph 6.1, the workpapers relating to the audit agency which is the subject of such certificate shall be delivered to the head of such audit agency, as the exclusive property of such agency.

5.3 GENERAL AUDIT PROCEDURES

Only agencies which have volunteered for a peer quality assessment shall be subject to a review. The Committee shall maintain a list of audit agencies desiring to be reviewed and shall annually prepare a program identifying those agencies to be reviewed in the ensuing year.

An agency to be reviewed shall be given a minimum of 60 days notice, including when the review will be started, the period of time the review team will be at the agency, and the intended completion date, in addition to any other information or materials which the Committee deems desirable.

5.4 REPORTS

Only the Committee has authority to approve and issue the final report on a government audit agency. The final report shall contain the written response of the agency reviewed.

ARTICLE VI CERTIFICATION PROCESS

6.1 BASIC POLICY

No agency shall be considered for certification until it has complied to the evaluation standards established by the Committee. If the condition is met, the Forum shall issue a certificate of compliance to the agency. If the condition is not met, the Committee and agency shall agree on the changes and improvements in policies and operations needed before another peer quality assessment is considered.

ARTICLE VII GENERAL BUSINESS AND ADMINISTRATIVE MATTERS

The present Committee consisting of eight persons shall continue as the Committee on Peer Quality Assessment for one year from this date to give continuity in the administration of the System.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 3

AUDIT GUIDE FOR PEER QUALITY ASSESSMENTS
OF
GOVERNMENT AUDIT ORGANIZATIONS

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

C o n t e n t s

<u>CHAPTER</u>		<u>Page</u>
1	INTRODUCTION	3-1
	PURPOSE OF GUIDE	3-1
	USING THE GUIDE	3-1
	GRADING AND SCORING	3-2
	COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEE ON PEER QUALITY ASSESSMENT AND THE REVIEW TEAM	3-3
2	ORGANIZATIONAL RESPONSIBILITIES, PLANNING, AND CONTROLS	3-5
3	INDEPENDENCE	3-7
4	QUALIFICATIONS	3-9
5	SUPERVISION	3-11
6	WORKPAPERS	3-12
7	LEGAL AND REGULATORY	3-14
8	INTERNAL CONTROL	3-15
9	FINANCIAL AUDIT REPORTS	3-17
10	REPORTING PROCEDURES	3-18
11	EXTERNAL AUDITORS	3-20

AUDIT GUIDE FOR PEER QUALITY ASSESSMENTS OF GOVERNMENT AUDIT ORGANIZATIONS

CHAPTER 1

INTRODUCTION

The audit profession is under increasing pressure from the public, audit report users, and others to develop and maintain high ethical and professional performance standards. In the government sector auditors are being called upon to deal increasingly with corruption, as well as waste, inefficiency, and mismanagement. Because auditors are in the front line of government accountability it is critically important that they improve auditing policies and practices, including technical ability to identify fraud and abuse. This guide is intended to improve audit operations in government audit agencies.

PURPOSE OF GUIDE

This guide reflects the valuable experiences gained in conducting experimental "test" reviews at three volunteer government audit agencies at the Federal, State, and local levels. The reviews were conducted by the Midwestern Intergovernmental Audit Forum's Committee on Peer Quality Assessment.

This guide is based on audit standards promulgated by the American Institute of Certified Public Accountants and the Comptroller General of the United States. It contains evaluation standards to enable review teams to make comprehensive reviews of government financial and compliance auditing and to reach supportable and consistent positions on an audit agency's conformance to standards.

Review teams evaluate policies and procedures common to audit organizations, such as planning and supervision. They also evaluate the elements of financial and compliance audits which are: testing financial transactions and operations, expressing opinions on information in financial reports, and determining compliance with pertinent laws and regulations.

USING THE GUIDE

Before the review team begins onsite work at an audit organization Committee representatives and the team meet to plan the work. The Committee gives the team essential information on the applicant's background and operational statistics and summaries of responses to questionnaires previously sent to auditees, audit report users, and the applicant's audit staff. The team uses this information and the results of the onsite work to support its findings and conclusions on the quality of an audit agency's policies and controls and financial and compliance audit work.

This guide has 10 elements. Each element includes a broad concept statement followed by the evaluation standards in a question format.

The team is required to determine the audit agency's conformance to each numbered evaluation standard. Some standards are followed by statements or questions identified by dashes. These items are designed to aid the team in identifying policy or operational characteristics that pertain to the standard.

To aid the review team in making proper distinctions, the Committee specified evaluation standards that pertain to overall agency policy and operational matters and those that pertain to specific audit practices.

Standards without an asterisk should determine whether an agency's policies are comprehensive and suitably designed, documented, and communicated. The review team should determine compliance by viewing appropriate documentation, interviewing management and staff, and observing practice.

In addressing the evaluation standards identified with an asterisk, the team is to examine representative financial and compliance audits for which audit reports have been issued during the most recently completed fiscal year to the present. To reach conclusions on agency conformance with each standard, the team should review at least six representative audit assignments, including the reports, workpapers, and related documents.

The Committee wishes to stress that because of the diversity of organizational and audit approaches some criteria in the guide may not apply or may only partially apply. Therefore, the team should couple the criteria in the guide with sound judgment when assessing audit agency policy and performance. If the team, however, learns that audit agency practice differs significantly with previously provided agency representations, or if the team needs to deviate significantly from review plans or guide criteria, the team should consult with the Committee on alternative review approaches.

GRADING AND SCORING

The grading and scoring system will enable the review team to formulate gradations of agency compliance to evaluation standards and to assess the agency's overall conformance. The system includes 52 standards, each being of equal weight.

The gradations of compliance are full or substantial, operational, borderline, and noncompliance.

Full or substantial - Audit agency clearly meets all aspects of the evaluation standard. Some variations could exist but cannot affect quality of audit work.

Operational - Audit agency meets most aspects of the evaluation standard in practice but needs to make policy improvements which if not made could adversely impact on the quality of the audit work.

Borderline - Audit agency needs to make immediate and substantial changes and improvements in the policy and practice aspects of the evaluation standard.

Using the above criteria, the review team grades the agency's conformance to each standard.

After each evaluation standard is graded, the team can score the agency's overall conformance with the standards and give its recommendation to the Committee. Criteria for pass, conditional, or not pass follows. These criteria are based on experience gained from the experimental reviews; however, they are subject to modification as we acquire additional experience with the system.

Pass - At least 75 percent of the evaluation standards are judged by the team to be in full or substantial compliance. No standards are judged less than operational.

Conditional - At least 50 percent of the evaluation standards are judged by the team to be in full or substantial compliance. No more than 25 percent of the standards may be borderline or less.

Not pass - More than 25 percent of the evaluation standards are judged by the team to be borderline or less.

If all standards are passed, a certificate will be issued to the agency. The certificate, however, is not open ended. At established intervals the Midwestern Intergovernmental Audit Forum would review the agency for recertification status.

In the case of a conditional conformance, a team will revisit the agency within 9 months to 1 year to substantiate that conformance has been upgraded to full or substantial. If the condition is met, a certificate of compliance will be issued. If not, conditional status continues.

If the agency fails to pass, the Committee and the audit agency agree that substantial organizational redefinition or change and improvement in policies and operations is needed before another review is considered. The Committee will wait at least 1 year before commissioning another review.

COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEE ON PEER QUALITY ASSESSMENT AND THE REVIEW TEAM

The Committee consists of eight agency principals or their designees from Federal, State, and local audit agencies. The Committee of Peer

Quality Assessment, acting on behalf of the Midwestern Intergovernmental Audit Forum, is responsible for

- operating according to the purposes and procedures in the bylaws,
- approving review instruments and procedures and changes to them,
- negotiating engagement agreements with agencies requesting reviews,
- staffing review teams,
- developing the schedules, including scope and timing,
- obtaining written information from applicants on background and operating statistics,
- reviewing and amending reports from review teams, and
- making decisions on conformance to evaluation standards and issuing reports.

Review teams are comprised of up to five supervisory personnel with interdisciplinary talents from Federal, State, and local audit agencies. Preferably, they should have experience managing simultaneous, multiple assignments with overall managerial experience in such areas as hiring, organizational planning, staffing, and professional development.

Each review team is responsible for

- planning and organizing the onsite work using the preliminary information provided by the Committee,
- holding an opening conference with audit agency officials,
- evaluating the audit agency according to evaluation standards in this guide,
- holding an exit conference with audit agency officials, and
- preparing a written report to the Committee on the audit agency's conformance to evaluation standards, including an assessment on the agency's overall conformance.

CHAPTER 2

ORGANIZATIONAL RESPONSIBILITIES, PLANNING, AND CONTROLS

Organizational responsibilities are to be clearly defined and audit work is to be adequately planned and controlled.

1. Are there mission statements that lay out the responsibility and authority for the audit agency?
2. Is there a plan for the audit agency that shows the number of staff and other resources needed to do financial and compliance audits?
3. Does the audit agency have a system for planning and controlling individual assignments? Such a system might include:
 - A schedule of audits to be performed covering such matters as time estimates, job requirements matched with available employee abilities and skills, staff training and development needs, outside technical assistance needs, method for doing the work, and estimated beginning and ending dates.
 - Consideration of the work of other interested parties (e.g., program managers, other external or internal auditors, and legislative committees).
 - Consideration of the needs of potential audit report users in developing scope.
 - Criteria and a method for prioritizing planned and in-process audits.
 - Controls (feedback system) to assure timely completion of audits and issuance of reports.
 - A method for following up on deficiencies noted during prior reviews.
4. For audits conducted at multiple locations, does the audit agency plan the work to assure that the results are comparable and can be consolidated?
- *5. Was a written audit program prepared? A program would include
 - audit objectives and procedures,

- scope and type of audit to be conducted,
 - reporting format outline, and
 - background on the characteristics and objectives of the organization or program to be audited.
- *6. Did the agency follow up on deficiencies noted during prior reviews? Consider the following
- time schedules for followup,
 - evaluation of corrective actions, and
 - solicitation of higher authority for arbitration when auditors disagree with management's actions or inaction on audit issues.
7. Does the audit agency have an internal review function which gives an inspection team latitude to do whatever tests it considers necessary? Important internal review aspects include
- identifying ways of achieving more effective, efficient, and economical performance,
 - examining compliance with prescribed policies, plans, and procedures,
 - reviewing the system of management controls over operations and resources,
 - examining financial and other management reports and related control procedures for reliability and usefulness, and
 - reviewing audit reports and workpapers and testing audited transactions to assure compliance with accepted audit standards.

CHAPTER 3

INDEPENDENCE

The audit organization, management, and staff will be independent in all matters relating to the audit work.

1. Does the head of the audit agency have autonomy to direct and control the organization? Consider the following:

- Is the appointment or election process such that the head is independent of the organization to be audited?

- Is the head (either appointed or elected) required to be disassociated from partisan politics?

- Is he/she protected from being removed from office without a hearing?

- Is the head required to file a record, at least annually, to show financial interests and to make representations that he/she has no relationships with the audited entities which could impinge upon independence?

- Are there restrictions on the audit agency's funds or activities, particularly those placed by organizations audited?

- Is the audit agency accountable to the highest practicable level of the government unit?

- Is the agency organizationally outside of line management?

2. Does the audit agency plan and conduct audits and report results without interference, control, or influence from the government unit or the entity under audit? Does the audit agency:

- Select activities to be examined?

- Establish annual work plans?

- Select auditees?

- Determine scope of audits?

- Choose and apply audit procedures?

- Select and assign audit staff?
 - Examine necessary books, records, and other supporting documentation?
 - Complete assignments without unreasonable time restrictions?
 - Report on and distribute results of audits to appropriate officials?
3. Does the audit agency have legal and administrative means to obtain records and documents needed to do an audit?
4. Do audit agency practices promote the exercise of professional judgment by audit team members?
- Are decisions on staff pay, job tenure, and advancement based on a merit system?
 - Are there procedures which assure that staff members are independent of the audited entity? Consider:
 - Official, professional, or personal relationships.
 - Previous management involvement with the entity audited.
 - Financial interest.
 - Actual or potential restrictive influence when the auditor performs preaudit work (e.g., developing and installing methods, systems, or procedures) and later does the post audit work.
 - Is independence of attitude covered in training programs?
 - Are auditors required to submit written representations that they are familiar with the agency's independence policies and procedures, do not hold investments and securities which would impair their independence, and have no prohibited relationships?

CHAPTER 4

QUALIFICATIONS

Auditors assigned to perform the audit must have proficiency for the tasks required.

1. Do staffs performing government audits have the education and experience to apply knowledge of accounting and finance to the type of auditing work required?
2. Does the audit agency maintain staff competency in technical or specialized subject matters or otherwise secure that capability as needed? As an aid to answering this question, consider the following:

	<u>Capability is obtained from</u>				<u>Has no capability</u>
	<u>Audit agency headquarters' staff</u>	<u>Nonaudit agency staff</u>	<u>Consultants</u>	<u>Local staff</u>	
--Specialized accounting and auditing problems					
--Statistical sampling					
--Financial reporting problems					
--Data processing					
--Federal, State, and local compliance issues					
--Specialized areas of knowledge, such as procurement, personnel, and supply management					
--Other areas (specify)					

3. Is there a development and training program? Desirable elements of a training program include
- identification of individual training needs through periodic counseling,
 - staff input to the types of courses to be offered or sponsored by the agency,
 - courses on technical subjects, such as auditing theory and procedures, government organization and operation, management controls and techniques, program evaluation techniques, computer systems and EDP auditing techniques, evidence gathering, including interviewing techniques and elements of audit findings, and oral communication and report writing,
 - analyses of program effectiveness, including comparison of courses taken by individuals to their training needs and performance.
4. Does the agency have position descriptions and specify job qualifications?

CHAPTER 5

SUPERVISION

Audit staff should be properly supervised.

1. Does the audit agency have manuals describing how audits should be conducted?
2. Does management exercise control over work in process?
 - Are workpapers required to show evidence that supervisory reviews were conducted?
 - Are facts and conclusions in audit reports required to be verified or otherwise confirmed by an independent official in the audit agency?
 - Are expected time overruns reviewed and approved?
 - Are periodic progress reports to managers required?
Progress reports include such matters as original time estimates, accumulated charges and projected estimates, and discussions on audit findings.
 - Are audit reports required to be reviewed by top management for compliance with agency policies and generally accepted reporting standards?
3. Are auditors-in-charge available to discuss scope, objectives, procedures, reporting, and problems with the audit staff, and to delineate what the staff is expected to do and accomplish?
- *4. Did auditors-in-charge conduct supervisory reviews to assure that the audit program was followed and that deviations were explained, and that workpapers provided meaningful data to support findings, conclusions, and recommendations?

CHAPTER 6

WORKPAPERS

Workpapers are the link between the field work and the report and must contain evidence to support findings. Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditor's opinions, conclusions, and recommendations.

- *1. Were workpapers complete and organized to provide a clear trail of the objective, scope, and results of the audit? Workpapers should document or show the following matters:
 - Name and location of the audited entity.
 - Subject matter and audit purpose.
 - Criteria used in developing findings.
 - Date or period applicable to the subject matter.
 - Auditor who prepared the workpapers.
 - Preparation dates.
 - Work completed, including justification for reducing or expanding the scope.
 - Sources for information and legend for all marks or symbols.
 - Necessary cross-references to other related workpapers and between the audit program and the workpapers.
 - Findings, conclusions, and recommendations.
- *2. Did workpapers show that audit tests and procedures were based on sound audit techniques? Consider the following:
 - Results of internal control evaluations.
 - Proper steps to achieve objectives.
 - Relevance of evidence.
 - Costs of audit work versus benefits to be derived.

- *3. Did the agency test whether the audited entity was accounting for resources, liabilities, and operations in accordance with generally accepted accounting principles or with other specified accounting principles applicable to the organization, program, function, or activity audited? Workpapers should show whether the following areas were considered:
- Balance sheet accounts, such as cash, receivables, inventories, and payables.
 - Costs and expenses, including allowability.
 - Program funding, including matching fund requirements.
 - Indirect cost allocations.
- *4. Were letters of representation obtained from officials of the audited entity on such matters as management's acknowledgment of the fairness of the financial statements, information on subsequent events, management or employee irregularities, communications from regulatory agencies on noncompliance matters, and knowledge of violation of any Federal, State, or local laws?
- *5. If statistical sampling procedures were used, did workpapers clearly document the sampling techniques used, such as:
- writeups on the basis for sample selection,
 - identification of critical and noncritical attributes, and
 - writeups of conclusions reached from the samples.
- *6. Did audit workpapers show that audit scope and purpose were discussed with management officials and that management comments on the audit findings, conclusions, and recommendations were obtained and considered before the audit report was finalized?
7. Does the audit agency have a policy to retain workpapers to satisfy legal and administrative requirements?

CHAPTER 7

LEGAL AND REGULATORY

A review is to be made of legal and regulatory requirements and an opinion issued on compliance with the requirements.

- *1. Were laws and regulations affecting the audited entity in the audit program to enable compliance verification?
- *2. Were other legal or regulatory requirements considered, such as legislative history, legal opinions, court cases, and grant agreements?
- *3. Were questions identified in the workpapers referred for legal advice as necessary?
- *4. Were transactions and operations tested for conformance with compliance requirements? Important requirements are
 - recipient eligibility,
 - coverage of services, and
 - matching requirements.
- *5. Did the audit report include an opinion on whether the program was being conducted in compliance with applicable laws and regulations?
- *6. If there were violations of legal or regulatory requirements, including noncompliance, were they explained in the audit report? Were the number of noncompliance cases audited related to the auditing entity to give a basis for judging the prevalence of noncompliance?

CHAPTER 8

INTERNAL CONTROL

An evaluation is to be made of the system of internal control to determine if it can be relied upon to assure accurate information and compliance with laws and regulations and to provide for efficient and effective operations. If the use of computer-generated information has a material affect on financial statements or management decisions, the audit staff should include the electronic data processing (EDP) activity in its evaluation of internal controls.

Guidance in assessing the reliability of controls and output are contained in various publications, including GAO's "Audit Guide for Reliability Assessment of Controls in Computerized Systems (Financial Statement Audits)", May 1978, and "Audit Guide for Assessing Reliability of Computer Output", May 1978. The Committee on Peer Quality Assessment will provide review team members copies of these publications.

- *1. Did the audit agency use a structured approach, i.e., check list, flow chart, or survey guide to review internal controls? Workpapers should show the test results on whether

--responsibilities for financial and operational activities are fixed,

--authority for financial and operational activities is clear,

--responsibilities for authorizing, approving, recording, and reviewing financial and custodial activities are separated,

--records are thorough and maintained currently,

--the information system produces data needed to conduct operations,

--controls exist over the acquisition of goods and services,

--controls exist to prevent errors, irregularities, and fraudulent activities,

--completed transactions are reviewed internally to assure they are appropriate and correct,

--operations are reviewed and controlled internally to assure compliance with prescribed policies and regulations, and

--procedures exist for taking action on internal review findings and recommendations.

*2. Did the audit agency use the test results to scope the extent of detailed work required to achieve the audit objectives?

*3. Did the audit agency review the general controls of computer-based systems? Workpapers should show the following determinations:

--Separation of duties provided for a strong level of internal control.

--Personnel training programs are up to date on data processing developments.

--Physical security of the computer hardware, computer programs, data files, data transmission, input and output material, etc., was protected against unauthorized access.

--Operating system (systems software) controls had been implemented and if they could be bypassed or overridden.

--Hardware controls had designed capability for detecting errors.

*4. Did the audit agency review the application controls of computer-based systems? Workpapers should show the following determinations:

--Computer data and applications (or programs) which had a material affect on financial statements or management decisions.

--Source of the data and an understanding of its flow through the EDP system.

--Computer input, processing, and output controls used to assure accurate processing.

--Comparison of output data to source documentation risks in accepting the computer-generated information of the audited entity.

CHAPTER 9

FINANCIAL AUDIT REPORTS

Audit reports with financial statements must have (1) auditor opinions as to whether the information in the financial reports is presented fairly in accordance with generally accepted accounting principles and applied on a basis consistent with that of the preceding reporting period and (2) appropriate supplementary explanatory information about the contents of financial statements for full and informative disclosure about the financial operations.

- *1. Did the audit report include a statement that the examination was made according to generally accepted auditing standards, including the standards issued by the Comptroller General?
- *2. If a qualified, disclaimer, or adverse opinion was issued on the financial reports, did the report
 - express the opinion properly, e.g., properly use the phrases "except" or "subject to",
 - explain the reasons for the opinion,
 - give the amount or number of errors involved or the effect on financial reports, and
 - include, if appropriate, the auditor's opinion on the acceptability of any changes or inconsistency in financial reporting?
- *3. Did the auditor's opinion accurately describe the facts from workpapers? For example, were special accounting principles identified in the opinion as needed?
- *4. Were material events that took place after the date of the financial statements reported?
- *5. Did the audit report contain supplementary information about the contents of financial statements for full and informative disclosure?
- *6. If supplemental data accompanied the basic financial statements, did the audit report explain whether the data had been audited and the extent of any examination?
- *7. If earlier period statements used for comparative purposes were unaudited or not examined by the auditor, were appropriate comments made in the financial statements or in the audit report?

CHAPTER 10

REPORTING PROCEDURES

Reports are to be prepared on each audit and distributed to appropriate officials in a timely manner. The report is expected to be easily understood. It should present the scope of the audit and the auditor's findings and conclusions in an objective and complete manner with appropriate support for positions taken.

- *1. Were written audit reports prepared and submitted to the appropriate officials, such as
 - organizations or government bodies requiring and/or arranging for the audit,
 - audited entities responsible for taking action on audit findings and recommendations, or
 - audited entities responsible for programmatic oversight?
- *2. Were reports issued when needed by management and legislative officials to take appropriate action?
 - Does the agency identify when reports are needed and tailor assignments to meet those requirements?
 - Was the audit report timely for legislative and management officials to take action on the results?
- *3. Did the report present the scope of the audit and the auditor's findings and conclusions in an objective and complete manner with appropriate support for positions taken, and provide recommendations for improvement when appropriate? Did the audit report
 - describe the objectives, scope, and type of audit,
 - contain the findings developed in the workpapers,
 - emphasize improvement rather than criticism,
 - identify the underlying cause(s) and the effect(s) of findings,
 - contain opinions, conclusions, and recommendations as appropriate, and

--recognize officials' views and corrective actions taken?

- *4. Were privileged or classified matters handled in the report or otherwise brought to the attention of appropriate officials and controlled for correction?

CHAPTER 11

EXTERNAL AUDITORS

The audit agency is responsible to assure that financial and compliance audits conducted by external auditors have appropriate audit coverage and comply with standards.

1. If external auditors are hired by organizations other than the audit agency, does the audit agency have appropriate responsibility to review and approve model or proposed individual contracts for audit services?
2. Are systematic selection procedures used for hiring external auditors? Selection procedures should include consideration of
 - prior government audit experience in supervision of audit staff,
 - technical qualifications and experience of the staff,
 - peer reviews of the audit firm,
 - audit firm's independence,
 - audit firm's quality control policies and procedures,
 - availability of workpapers to other government auditors, and
 - audit fees.
3. Do external auditors carry out their work according to an approved audit program covering essential financial and compliance issues and are they required to cite in their reports that the program was used?
4. Does the audit agency have a system for controlling and assessing external auditors' work? Important elements of a system are
 - control over audit reports due and received and follow up on overdue reports,
 - official acceptance and issuance of audit reports,

- assurance that external auditor reports are distributed to appropriate and interested parties,
 - comprehensive control checklist for reviewing reports and workpapers,
 - desk reviews of reports for adherence to format and substance requirements,
 - workpaper reviews (statistical sample) to determine compliance with auditing standards and the agency's audit guide,
 - onsite reviews of auditee records as needed to check the accuracy of the audit work,
 - reviews (desk, workpaper, or onsite) which are conducted before acceptance and issuance of reports,
 - systematic documentation of reviews to support assessments and conclusions, and
 - communication with external auditors on issues raised in the review,
5. Are findings in external auditor reports routinely made part of the official audit finding tracking system?

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 4

WORKSHEET FORMAT FOR ASSESSING AND SCORING
AUDIT AGENCY CONFORMANCE
TO EVALUATION STANDARDS
(EXAMPLE)

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

WORKSHEET FORMAT FOR ASSESSING AND SCORING AUDIT AGENCY CONFORMANCE TO EVALUATION

Standards for government audit agencies	<u>Assessment of agency compliance to standards</u>				Not appli (provide
	<u>Full or</u> <u>substantial</u>	<u>Operational</u>	<u>Borderline</u>	<u>Noncompliance</u>	

ORGANIZATIONAL RESPONSIBILITIES,
PLANNING, AND CONTROLS

Organizational responsibilities are to be clearly defined and audit work is to be adequately planned and controlled.

1. Are there mission statements that lay out the responsibility and authority for the audit agency?
2. Is there a plan for the audit agency that shows the number of staff and other resources needed to do financial and compliance audits?
3. Does the audit agency have a system for planning and controlling individual assignments? Such a system might include:

--A schedule of audits to be performed covering such matters as time estimates, job requirements matched with available employee abilities and skills, staff training and development needs, outside technical

The purpose of this instrument is to provide the review team with a format for assessing an audit agency's compliance to each evaluation standard. Standards pertaining to organizational responsibilities, planning, and controls are shown. After each standard is graded, the team can determine the agency's overall conformance. As an option, the review team may wish to grade the agency's conformance statements following some standards.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

WORKSHEET FORMAT FOR ASSESSING AND SCORING AUDIT AGENCY CONFORMANCE TO EVALUATION S

<u>Standards for government audit agencies</u>	<u>Assessment of agency compliance to standards</u>				<u>Not appl (provide</u>
	<u>Full or substantial</u>	<u>Operational</u>	<u>Borderline</u>	<u>Noncompliance</u>	
assistance needs, method- ology for doing the work, and estimated beginning and ending dates.					
--Consideration of the work of other interested parties (e.g., program managers, other external or internal auditors, and legislative committees).					
--Consideration of the needs of potential audit report users in developing scope.					
--Criteria and a method for prioritizing planned and in-process audits.					
--Controls (feedback system) to assure timely completion of audits and issuance of reports.					
--A method for following up on deficiencies noted dur- ing prior reviews.					
4. For audits conducted at multiple locations, does the audit agency plan the work to assure that the					

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

WORKSHEET FORMAT FOR ASSESSING AND SCORING AUDIT AGENCY CONFORMANCE TO EVALUATION STANDARDS

<u>Standards for government audit agencies</u>	<u>Assessment of agency compliance to standards</u>				<u>Not applicable (provide reason)</u>	<u>Workpaper reference</u>
	<u>Full or substantial</u>	<u>Operational</u>	<u>Borderline</u>	<u>Noncompliance</u>		
results are comparable and can be consolidated?						
*5. Was a written audit program pre- pared? A program would include						
--audit objectives and procedures,						
--scope and type of audit to be conducted,						
--reporting format outline, and						
--background on the character- istics and objectives of the organization or program to be audited.						
*6. Did the agency follow up on deficiencies noted during prior reviews? Consider the following:						
--Time schedules for followup.						
--Evaluation of corrective actions.						
--Solicitation of higher authority for arbitration when auditors disagree with						

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

WORKSHEET FORMAT FOR ASSESSING AND SCORING AUDIT AGENCY CONFORMANCE TO EVALUATION

<u>Standards for government audit agencies</u>	<u>Full or substantial</u>	<u>Assessment of agency compliance to standards</u>			<u>Not app (provid</u>
		<u>Operational'</u>	<u>Borderline</u>	<u>Noncompliance</u>	
management's actions or in- action on audit issues.					
7. Does the audit agency have an internal review function which gives an inspection team the latitude to do whatever tests it considers necessary? Im- portant internal review as- pects include					
--identifying ways of achieving more effective, efficient, and economical performance,					
--examining compliance with prescribed policies, plans, and procedures,					
--reviewing the system of man- agement controls over opera- tions and resources,					
--examining financial and other management reports and related control procedures for relia- bility and usefulness, and					
--reviewing audit reports and workpapers and testing audited transactions to assure com- pliance with accepted audit standards.					

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 5

REPORT FORMAT

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

REPORT FORMAT

At the conclusion of the review the team should meet with the head of the audit agency to present findings, conclusions, and recommendations and to obtain the agency head's response. The review team should submit to the Committee a comprehensive report of the onsite review which should include agency comments as appropriate. The auditee's written comments on the report should also accompany the team's report to the Committee.

The Committee requests that teams use the following format to assure report consistency and to aid the Committee in reviewing the merits of the report and in concluding on a certification, if appropriate.

<u>CHAPTER</u>			
<u>Number</u>	<u>Title</u>	<u>Major heading</u>	<u>Suggested content</u>
1	Introduction	Background	This section should contain enough information on the agency reviewed to set the stage for the rest of the report. Discuss such matters as history of the agency, important directives, mission responsibilities and authorities, organizational relationships, appointment and tenure of agency head, and size and composition of the staff.
		Purpose and scope	The report should include a summary statement on the purpose of the review, i.e., to review and draw conclusions on the quality of an audit agency's policies and controls and financial and compliance audit work. This statement is essential to provide the proper perspective against which report findings may be considered. State the scope of the work and that the review was conducted pursuant to the system established by the Midwestern Intergovernmental Audit Forum. The time period covered during the audit should be indicated as well as the dates of the onsite review. As an option, the team may wish to list the names and agencies of the team members.

CHAPTER

<u>Number</u>	<u>Title</u>	<u>Major heading</u>	<u>Suggested content</u>
2	Organizational responsibilities, planning, and controls		
3	Independence		Each chapter (Chapters 2-11) should contain the team's analyses of the agency's strengths and weaknesses and its conclusion on conformance to the standards. Use examples to demonstrate both strengths and weaknesses and as appropriate identify causes and effects of findings. Quantify when possible.
4	Qualifications		
5	Supervision		
6	Workpapers		
7	Legal and regulatory		
8	Internal control		
9	Financial audit reports		
10	Reporting procedures		
11	External auditors		
12	Conclusions and recommendations		The team's conclusions and recommendations should be listed for each major chapter element (organizational responsibilities, planning, and controls; independence; qualifications; etc.). The team should describe the interrelated affects among major elements, including underlying causes and problems as needed and restate its recommendation for certification.

The Committee requests that the team not discuss with the agency head its overall opinion on conformance to the evaluation standards or express the opinion in its report. Instead, the team should conclude on the agency's overall conformance and its recommendation for certification in its transmittal letter to the Committee. The reasons for the conclusion

should also be briefly expressed in the transmittal letter to place the opinion in proper perspective.

After receiving the report from the team the Committee meets to discuss it. A team representative usually attends the meeting to answer Committee concerns and questions.

The Committee issues to the agency head the final report containing the overall opinion on conformance to the standards. The Committee reserves the right to change or modify the team's report as necessary to assure accuracy, balance, and objectivity. Major changes or modifications are made, however, only after consulting with team members or the team's spokesperson.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 6

SAMPLE ENGAGEMENT LETTER

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

SAMPLE ENGAGEMENT LETTER

Head Auditor
Legislative Auditor
Anystate, USA

Head Auditor:

This is an agreement for the Intergovernmental Audit Forum's Committee on Peer Quality Assessment to review certain organizational and audit operations of the Office of Anystate Audit. The Committee has selected a five-person review team, representing the Forum, to conduct the review and to report on whether your organization

- has appropriate quality controls and procedures and
- meets high quality evaluation standards in financial and compliance audit work.

To accomplish these objectives, you agree to

- grant the Committee and review team full access to policy and procedure documents, correspondence files, audit reports and supporting working papers, and other pertinent documents,
- allow the Committee and review team to interview persons associated with your agency, including your auditees and members of your governing body,
- provide the Committee concurrence to issue the questionnaires (segment 9, 10, and 11) to your staff, audit report users, and auditees, and
- furnish the Committee by May 30, 1980, the information outlined in segment 8.

The review team will use the Audit Guide for Peer Quality Assessments of Government Audit Agencies approved by the Forum October 1979. The questionnaires will be used by the team as aids to assess agency policies and performance.

We request that you send a representative to the team's prereview meeting to be held in Chicago on or about July 15, 1980. He/she should be prepared to discuss the agency's representation statements and statistics and to address team concerns and questions.

The five-member team will begin the 2-week onsite review on August 1, 1980. We will give you a written report on the results of the review and issue an opinion on the agency's conformance to evaluation standards.

Also, we will send you a summary of questionnaire results. You may use the results as needed to bring about change in the management of your organization. The questionnaires are anonymous.

Feel free to modify this agreement, but if modifications are substantive give me a call. Please sign and date this letter in the space below and return it to me.

I will appreciate your assistance to the Committee and review team and look forward to working with you. If you have any questions, call me on 312-353-6174.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Accepted by _____

Date _____

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 7

TEAM APPLICANT
QUESTIONNAIRE

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

TEAM APPLICANT QUESTIONNAIRE

The purpose of the questionnaire is to obtain biographic information from Federal, State, and local auditors who volunteered to serve on review teams. The Committee uses this information to select qualified review teams.

Name:

Date:

Employer's name and address:

Job title:

Business phone number:

Immediate supervisor's name:

1. CURRENT WORK EXPERIENCE

a. Employment history

Years with present employer: From: To:

b. Work experience (check the functions you regularly perform)

<u>Audit type</u>	<u>Function performed</u>						<u>Writing reports</u>
	<u>Writing working guidelines</u>	<u>Conducting multi or concurrent assignments</u>	<u>EDP</u>	<u>Statistical sampling</u>	<u>Auditor in charge</u>	<u>Management of multi-audits</u>	
Financial & Compliance							
Economy & Efficiency							
Program Results							

2. PREVIOUS WORK EXPERIENCE (if less than 8 years with present employer)

Name of prior employer:

From:

To:

Work experience:

3. EDUCATION

Name and location of college or university attended	Dates attended		Type of degree (B.A., etc.)	Major fields
	From	To		

4. LICENSES AND CERTIFICATIONS

(For example--license such as attorney, engineer, etc.; certification such as C.I.A., C.M.A., C.P.A., etc.) Give dates of license or certificate:

5. SPECIAL KNOWLEDGE OR EXPERIENCE

(For example--expertise in such areas as EDP, statistics, actuarial science, etc.) Briefly describe:

6. Do you wish to be considered as a team leader? Yes/No.
Briefly explain.

7. Please describe other skills or experience which you believe would benefit the review team.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 8

APPLICANT AUDIT AGENCY
QUESTIONNAIRE

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

APPLICANT AUDIT AGENCY QUESTIONNAIRE

This questionnaire is intended to elicit policy and procedures and operational statistics from the audit agency before the onsite review begins. The Committee and review team use the information to become familiar with the agency and to plan the review.

1. Name of audit agency head and title.
2. What are the official mission requirements of your organization?
 - a. Are there arrangements, written or otherwise, between your organization and your headquarters which recognize and permit departures from those mission requirements? Describe.
 - b. Please furnish a copy of your organization chart.
 - c. Do you have the number and quality of staff to fulfill your mission?
 - d. If the answer to c. is no, what specific mission requirements do you cut back or not do?
 - e. Are there impediments to fulfilling your mission other than number and quality of staff, such as lack of office space, travel restrictions, and records access?

3. Describe the qualifications for the position of audit agency head specified in the following sources:
 - a. Constitution.
 - b. Legislation.
 - c. Civil Service.
 - d. Other (cite the source for the qualification).
4. To whom is the agency head accountable?
5. Does the agency head have full responsibility for selecting, hiring, evaluating, and removing staff?
6. Describe under what circumstances and how the agency head can be removed from office.
7. Is the agency head's term of office a specified number of years? If so, state term.

8. Show the number of years of experience and the name of each audit organization the audit head served:

a. As head of an audit agency.

b. As a staff member of an audit agency.

c. Other positions in nonaudit agencies (specify).

9. List the organizations in which the agency head participates (specify whether participation is as an officer, member, or some other capacity).

10. Show the current number of staff: Central Major Secondary
 office suboffice suboffice Other

Auditors

Technical Support
(Statistics, EDP, etc.)

Administrative & Clerical

Other (specify)

Total staff

11. Show the number of staff for each educational category:

Auditor

Technical
support

Other

No degree

Associate degree

Major of 4-year degree
or higher:

Accounting

Computer Science

Economics

Finance

Legal

Mathematics

Operations Research

Public Administration

Other _____
(specify)

Total staff

12. Provide a listing of all staff, including job title, office location, business phone number, home address; and any certification or advanced degrees, such as C.P.A., C.I.A., C.M.A., M.B.A., and J.D.

13. For the most recently completed fiscal year, show the number of reports issued as follows:

	Work done by			
		Others		
	Agency	Under	Non-Federal	
	staff	contract	cross-	
		with CPAs	service	audits
<u>Types of audit</u>	<u>staff</u>	<u>with CPAs</u>	<u>agreement</u>	<u>commissioned</u>
				<u>by grantees</u>
Financial and/or Compliance				
Economy and Efficiency				
Program Results				
Other (specify)				

14. Please define what you mean by financial and compliance audits and provide copies of representative financial and compliance audits.
15. If the audit work of other organizations is used by your agency, describe your audit agency's responsibility, authority, and controls in each of the following areas. (Please check the appropriate column and provide a narrative attachment.)

	<u>Under audit agency contract</u>	<u>Cross-service agreement</u>	<u>Hired by grantee</u>
a. Establishing the hiring criteria			
b. Performing the hiring function			
c. Assuring that the audit work is done			
d. Reviewing the audit work-papers and report for compliance with audit standards			
e. Controlling receipt of audit reports			
f. Distributing audit reports			
g. Performing desk reviews of reports.			

16. List all agency conducted financial and compliance audit reports issued during the most recently completed fiscal year and all reports issued since that date. Include the following information for each.
 - a. Audit agency control number.
 - b. Assignment title.
 - c. Identification of whether the audit was done by your staff or another audit organization under agreement.
 - d. Name of audit manager and/or auditor-in-charge.
 - e. Date field work started.
 - f. Date field work completed.
 - g. Date report issued to auditee.
 - h. Number of staff days charged to the assignment.
 - i. Name and address of auditee, including name and title of official to whom the report was issued.
17. Provide a listing of audits other than agency conducted financial and compliance audits (including the name, title, and address of the auditee's activity head) the audit agency received during the most recently completed fiscal year. This should include clients audited by independent public accountants and other governmental audit organizations. Further, if the list of clients during the past year is not representative, provide a list of clients for the past 2 or 3 fiscal years.
18. If an agency reviewed your quality control practices and the quality of your audits, name each group and furnish a copy of each report.

19. Provide the following:

- a. An organization manual or other available materials for governmental units, including a brief explanation of each unit's mission and function.
- b. A manual or other available materials on the accounting system, including an explanation of uniform financial terms and accounts used.
- c. An organization chart and mission statement for the audit agency and each of the agency's subgroups (e.g., financial audit group, operations audit group).
- d. A periodic (such as annual) report on the audit agency's operations.

20. Briefly describe the constitutional, statutory, and regulatory provisions the audit agency is required to follow, particularly those related to the type, scope, and frequency of audits.

21. Describe legal and other restrictions, if any, on the release of audit reports and workpapers outside the audit agency.

22. It is essential that the team understand the system your organization uses in the day-to-day conduct of audits. We would like to arrange for either you or one of your top representatives to meet with the team in their planning session to explain your organization's operations. In that regard, please prepare a narrative description of your system that deals with the following organizational functions. Pertinent supporting excerpts from constitutional, statutory, policy, or procedural documents would be most helpful.
- a. Independence of the audit agency (head and staff).
 - b. Planning, scheduling, and controlling audit assignments.
 - c. Following up to assure corrective action on audit findings.
 - d. Supervision, authority, and responsibility.
 - e. Professional development activities.
 - f. Appraising and counseling staff.
 - g. Assigning staff to job.
 - h. Internal review activities.
 - i. Recent policy changes impacting on audits.
23. Provide excerpts from audit agency manuals or other documents which describe factors audit staff are to consider in planning assignments, evaluating internal controls of the audit entity, preparing workpapers and summarizing results, conducting exit conferences, and preparing audit reports.

24. Describe audit agency provisions for right-of-access to records and documents.

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 9

COVER LETTERS AND AUDIT STAFF QUESTIONNAIRE

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

SAMPLE COVER LETTER TO AUDIT STAFF QUESTIONNAIRE

Staff Member:

Mr./Ms. Head Auditor, Anystate, has arranged with the Midwestern Intergovernmental Audit Forum's Committee on Peer Quality Assessment to have an independent review team review your agency's operations. The team will examine quality control practices and policies and your agency's financial and compliance audits. The objective of the examination is to assure that an agency's organizational policies and practices are in place and functionally sound and that audit work meets high quality standards.

To assist the review team, Mr./Ms. Head Auditor and the Committee urge that you fully and frankly respond to the enclosed questionnaire. The team will coordinate the staff's views with the site review results for a fuller representation of the quality of your agency's policies and operations.

The Committee will furnish Mr./Ms. Head Auditor a summary of the responses for his consideration in making organizational changes. In no way will you be identified with the completed questionnaire.

Please complete the questionnaire and return it in the enclosed envelope within 5 days. Your cooperation in this effort will contribute to increasing effectiveness of your agency's audit operations.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosure

SAMPLE FOLLOWUP LETTER TO AUDIT STAFF QUESTIONNAIRE

Staff Member:

Recently, with a questionnaire, we asked for your views on certain aspects of your audit agency's operations. The questionnaire is part of a review process undertaken by the Midwestern Intergovernmental Audit Forum in agreement with Mr./Ms. Head Auditor.

If you have already mailed your response please accept our "thank you." If you have not mailed your reply, we again ask for your assistance. Your response is important for a meaningful evaluation.

We are enclosing another questionnaire with a self-addressed envelope for your convenience.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosure

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

AUDIT STAFF QUESTIONNAIRE

The purpose of this questionnaire is to obtain the views of agency's audit staff on policy and operational matters. Results are used by the review team, along with other evidence, to gain insight of agency policies and operations and to help assess agency performance.

INDEPENDENCE

1. In your opinion, is your audit agency free to:

Yes

No

- a. Select activities to be examined?
- b. Establish annual work plans?
- c. Select auditees?
- d. Determine the scope of audits?
- e. Choose and apply audit procedures?
- f. Select and assign staff?
- g. Examine all necessary books, records, and other documentation?
- h. Complete the assignment without unreasonable time restrictions?
- i. Report on and distribute results of audits to appropriate officials?

2. Are you familiar with your audit agency's personnel policies and procedures on independence?

a. Yes _____

b. No _____

3. Is independence of attitude adequately covered in your audit agency's training programs?

a. Yes _____

b. No _____

PLANNING

4. Does your immediate superior consider your ideas for new assignments?

a. Yes _____

b. No _____

5. In planning audits, do auditors-in-charge involve staff to assist or to provide advice on the following matters:

Yes

No

a. Establishing audit objectives.

b. Developing an audit program.

c. Determining staff needs.

d. Determining the need for consultants.

e. Developing time estimates.

f. Deciding on sampling or EDP techniques.

6. In planning new assignments, do you routinely follow up on deficiencies disclosed during prior audits?

a. Yes _____

b. No _____

SUPERVISION

7. If the audit involves work at different locations, is one person accountable for the work at all sites?

a. Yes _____

b. No _____

8. During planning and initial stages of an audit do auditors-in-charge routinely discuss the following:

Yes

No

- a. Needed skills and abilities of staff to job needs.
- b. What each staff member is expected to accomplish.
- c. How staff tasks relate to the total job.
- d. Method for doing the work.
- e. How staff development objectives will be met.

9. During the audit do auditors-in-charge routinely discuss the appropriateness of the following:

Yes

No

- a. Objectives.
- b. Scope and procedures.
- c. Audit findings and observations.
- d. Reporting.

10. Are sufficient time and staff resources provided to the audit team to accomplish audit objectives?

- a. Yes _____
- b. No _____

11. Is agency management sensitive to the problems faced by subordinates in the conduct of assignments and in relations with audit clients?

- a. Yes _____
- b. No _____

12. To what extent do auditors-in-charge review workpapers and reports to ensure the following:

<u>More than necessary</u>	<u>About just right</u>	<u>Less than necessary</u>	<u>Do not review</u>
--------------------------------	-----------------------------	--------------------------------	--------------------------

- a. Workpapers conform with audit standards.
- b. The audit program is followed or deviations are justified.
- c. Audit objectives are accomplished.
- d. Workpapers include adequate data to prepare a meaningful report.
- e. Workpapers support findings and conclusions.

13. To what extent does top management review audit reports to assure that the reports conform to policy on format and content:

<u>More than necessary</u>	<u>About just right</u>	<u>Less than necessary</u>	<u>Do not review</u>
--------------------------------	-----------------------------	--------------------------------	--------------------------

14. Does management promote and encourage staff teamwork in conducting audits, including writing and finalizing audit reports?

- a. Yes _____
- b. No _____

PROFESSIONAL DEVELOPMENT

15. Are you encouraged to participate in professional development activities?

- a. Yes _____
- b. No _____

16. How often, if ever, do you participate in the following professional development activities:

Often Occasionally Seldom
if ever

- a. Meetings of professional organizations.
- b. Holding office in professional organizations.
- c. Addressing professional organizations.
- d. Technical sessions on new developments.
- e. Seminars and training courses related to your area of interest.
- f. Continuing formal education.
- g. Publication of technical articles.
- h. Teaching.

17. Give your opinion on the extent to which on-the-job training addresses the following objectives:

To a sub- To a Little No on-the-
stantial moderate or no job training
extent extent extent provided

- a. Shows staff the relationship of their work to the entire audit.
- b. Provides staff an opportunity to get involved in as many facets of the job as practicable.
- c. Emphasizes the importance of personnel management skills.
- d. Encourages staff to train and develop subordinates.
- e. Provides opportunities for personnel to supervise.

STAFF APPRAISALS AND COUNSELING

18. Are you periodically counseled about your strengths and areas needing improvement?
- a. Yes _____
- b. No _____
19. Does your agency use awards or letters of commendation to recognize superior performance?
- a. Yes _____
- b. No _____
20. Are you periodically advised of your potential for advancement?
- a. Yes _____
- b. No _____

USE OF CONSULTANTS OR EXPERTS

21. When your audits require expert advice, do you have access to experts as often as you would like?
- a. Yes _____
- b. No _____

TIMELINESS OF REPORTING

22. Are audit reports issued timely for legislative or executive action?
- a. Yes _____
- b. No _____

OTHER MATTERS

23. Does your audit agency perform followup reviews to determine whether corrective actions are taken on previously reported audit findings?
- a. Yes _____
- b. No _____

24. Do you believe it is professionally challenging and rewarding to work for your audit agency?

a. Yes _____

b. No (Briefly explain) _____

To enable us to stratify your responses properly, please provide the following information about yourself:

Job title and grade _____

Length of service:

Under 1 year _____

1 to 5 years _____

5 to 10 years _____

Over 10 years _____

Show the estimated percentage of time you devoted to various types of audits during the last fiscal year.

a. Financial and compliance _____

b. Economy and efficiency _____

c. Program results _____

d. Other audit duties _____

e. Nonaudit duties _____

COMMENTS

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 10

COVER LETTERS
AND
AUDIT REPORT USER QUESTIONNAIRE

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

SAMPLE COVER LETTER TO AUDIT REPORT USER QUESTIONNAIRE

Mr./Ms. Audit Report User:

In the interest of improving quality and timeliness of audits carried out by the Anystate Audit Agency, Mr./Ms. Head Auditor requests your cooperation in responding to the enclosed questionnaire. The questionnaire is part of a review being undertaken by the Midwestern Intergovernmental Audit Forum in agreement with Mr./Ms. Head Auditor. Many questions asking your opinion on the clarity and usefulness of audit reports can be answered either yes or no.

The Forum is a consortium of Federal, State, and local audit organizations dedicated to improving audit coordination and cooperation at all levels of government. It is one of ten working in consonance with the National Intergovernmental Audit Forum. One activity being sponsored by the Forum is peer quality assessments carried out by the Forum's Committee. Its purpose is to assure that audit agencies have procedures and practices which meet high quality standards.

In May 1980, Mr./Ms. Head Auditor asked the Committee to review the audit agency and to issue an opinion on the quality of its policies and audit work. The review team will use this questionnaire as one method of assessing the agency's compliance with standards.

Responses to the questionnaire will be confidential. Only the overall results will be discussed with Mr./Ms. Head Auditor. Space is provided at the end of the questionnaire for any additional comments you may have.

Please complete the questionnaire and return it in the enclosed envelope within 5 days. If you have any questions, please call me on (312) 353-6174.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosures

SAMPLE FOLLOWUP LETTER TO AUDIT REPORT USERS

Dear Mr./Ms. Audit Report User:

Recently, with a questionnaire, we asked for your participation in an important review of Anystate Audit Agency. The questionnaire is part of a review process undertaken by the Midwestern Intergovernmental Audit Forum in agreement with Mr./Ms. Head Auditor.

If you have already mailed your response, please accept our "thank you." If you have not mailed your reply, we again ask for your assistance.

We are enclosing another questionnaire with a self-addressed envelope for your convenience.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosures

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

AUDIT REPORT USER QUESTIONNAIRE

The purpose of this questionnaire is to obtain views of audit report users on the agency's audit work. Questionnaire results are used by the review team along with other evidence to understand agency policies and to help assess agency performance.

Yes

No

1. Does the audit agency routinely contact you or your staff for suggestions on areas of your operations to audit?
2. Are there important areas of your internal operations which should be audited but have not been? If so, describe the areas below:

Important areas for audit

- 1.
 - 2.
 - 3.
 - 4.
 - 5.
3. Are there important areas involving subordinate organizations, grantees, or contractors that require audit? If so, describe the areas below:

Important areas for audit

- 1.
 - 2.
 - 3.
 - 4.
 - 5.
4. Do you feel free to call on the audit agency for their services?

Yes

No

5. Do you believe that the auditors are sufficiently independent to conduct a quality audit?
6. Do you believe that the auditors are sufficiently knowledgeable to conduct a quality audit?
7. Do the audits cover all required aspects of the program, grant, or contract?
8. Did the auditors generally discuss the results of their review with you at the completion of the audit?
9. Are the results of audit clearly presented in a written report?
10. Were copies of the audit report issued to officials responsible for taking corrective actions on the findings, such as government program or legislative officials and grantor officials?
11. Did the audit report adequately address the audit objectives as you understood them?
12. Were the recommendations in the audit report of assistance to you in improving operations?
13. Was the audit report issued timely for legislative or executive action?
14. Did the audit agency follow up to determine whether corrective actions were completed?
15. When do you begin corrective action on findings and deficiencies disclosed by audit?
 - a. After interacting with auditors during review. _____
 - b. After discussing results of review with auditors at completion of audit work. _____
 - c. After receiving and reviewing audit reports containing recommendations. _____
 - d. None of the above. (Briefly explain) _____

FOR ADDITIONAL COMMENTS YOU MAY WISH TO MAKE

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

SEGMENT 11

COVER LETTERS
AND
AUDITEE QUESTIONNAIRE

PREPARED BY
COMMITTEE ON PEER QUALITY ASSESSMENT
APPROVED BY
MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM
OCTOBER 1979

SAMPLE COVER LETTER TO AUDITEE QUESTIONNAIRE

Mr./Ms. Auditee:

In the interest of improving quality and timeliness of audits carried out by Anystate Audit Agency, Mr./Ms. Head Auditor requests your cooperation in responding to the enclosed questionnaire. The questionnaire is part of a review process being undertaken by the Midwestern Intergovernmental Audit Forum in agreement with Mr./Ms. Head Auditor. The questions ask your opinion on the agency's performance relative to audits of your organization and can usually be answered yes or no.

The Forum is a consortium of Federal, State, and local audit organizations dedicated to improving audit coordination and cooperation at all levels of government. It is one of ten working in consonance with the National Intergovernmental Audit Forum. One activity being sponsored by the Forum is peer quality assessments carried out by the Forum's Committee. Its purpose is to assure that audit agencies have procedures and practices which meet high quality standards.

In May 1980, Mr./Ms. Head Auditor asked the Forum to review its organizational policies and procedures and audit work. The review team will use this questionnaire as one method of assessing the audit agency's compliance with standards.

Responses to the questionnaire will be confidential. Only the overall results will be discussed with Mr./Ms. Head Auditor. Space is provided at the end of the questionnaire for any additional comments you may have.

Please complete the questionnaire and return it in the enclosed envelope within 5 days. If you have any questions, please call me on (312) 353-6174.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosures

SAMPLE FOLLOWUP LETTER TO AUDITEES

Mr./Ms. Auditee:

Recently, with a questionnaire, we asked for your participation in an important review of Anystate Audit Agency. The questionnaire, which relates to audits of your organization, is part of a review process undertaken by the Midwestern Intergovernmental Audit Forum in agreement with Mr./Ms. Head Auditor.

If you have already mailed your response, please accept our "thank you." If you have not mailed your reply, we again ask for your assistance.

We are enclosing another questionnaire with a self-addressed envelope for your convenience.

Sincerely,

Chairperson
Committee on Peer Quality
Assessment

Enclosures

MIDWESTERN INTERGOVERNMENTAL AUDIT FORUM

AUDITEE QUESTIONNAIRE

The purpose of this questionnaire is to elicit views on the agency's audit work. Questionnaire results are used by the review team along with other evidence to gain an understanding of agency policies and to assess agency performance.

THINK OF THE MOST RECENT FINANCIAL AND COMPLIANCE AUDIT(S) CONDUCTED BY THE AUDIT AGENCY WHEN ANSWERING THE FOLLOWING QUESTIONS.

- | | <u>Yes</u> | <u>No</u> |
|--|------------|-----------|
| 1. Did the auditors communicate the purpose and scope of each audit to you before starting the audit work? | | |
| 2. Did the audit agency contact you or your staff for suggestions on areas to be covered by the audit team? | | |
| 3. Are there important areas of your operations which should be audited but have not been? If so, please list: | | |

Important Areas for Audit

- 1.
 - 2.
 - 3.
 - 4.
 - 5.
4. Do you believe that the auditors were sufficiently independent to conduct a quality audit?
 5. Do you believe that the auditors were sufficiently knowledgeable to conduct a quality audit?
 6. Given the purpose of the audit, did it cover all required aspects?
 7. Did the auditors obtain your views on audit findings during the audit?

Yes

No

8. Did the auditors discuss the results of the review with you at the completion of the audit?
9. Would you like to have the same auditors return?
10. Were the results of the audit clearly presented in a written report?
11. Did the audit report adequately address the audit objectives as you understood them?
12. Were the recommendations in the audit report useful to management in improving operations?
13. Did the audit agency follow up to determine whether corrective actions were completed?
14. How long after completion of the audit work did you receive a written report?

 - a. Less than 3 months _____
 - b. From 3 months to less than 6 months _____
 - c. From 6 months to less than 1 year _____
 - d. Over 1 year _____
15. When does your agency begin correction action on findings, deficiencies, and the like disclosed by audit?
 - a. After interacting with auditors during review. _____
 - b. After discussing results of review with auditors at completion of audit work. _____
 - c. After receiving and reviewing audit reports containing recommendations. _____
 - d. None of the above. (Briefly explain) _____

FOR ADDITIONAL COMMENTS YOU MAY WISH TO MAKE

11-5

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END