

**Department of Defense
Office of the Inspector General**



**“Righting” Our Audit Ship
Presentation to the
Mid-America Intergovernmental Audit Forum
December 8, 2006**



**Ensuring Audit Quality
Peer Reviews**

A peer review, known as an external quality control review, is required by *Generally Accepted Government Auditing Standards*

- must be performed at least once every 3 years by an organization not affiliated with the organization being reviewed,

- objective is to determine whether the organization’s internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed.



**Ensuring Audit Quality
PCIE Requirements for
OIG Office Peer Reviews**

INTERNAL QUALITY CONTROL SYSTEM

- Each Office of Inspector General (OIG) organization is required to implement and maintain an internal quality control system for its audit work and attestation engagements. The internal quality control system typically consists of four characteristics, as follows:
 - policies and procedures that establish internal guidance and audit requirements,
 - supervisory review processes,
 - a quality control process for each audit (such as independent referencing), and
 - a quality assurance program.
- Each audit organization should prepare appropriate documentation for its system of quality control. The organization's internal quality control policies and procedures should provide for monitoring, on an ongoing basis, whether the policies and procedures related to the Standards are suitably designed and effectively applied.



Ensuring Audit Quality Peer Review Results

DoD OIG has undergone 5 peer reviews since 1997. Problems were identified in 2000 regarding audit quality and results of peer review, disclaimer issued with subsequent qualified, unqualified, and unmodified opinions.

Year	Opinion:
1997	Qualified Opinion – quality assurance system was inadequate
2000	Unqualified Opinion
2001	2000 Opinion was withdrawn and disclaimer of opinion was issued
2001	Additional Peer Review performed – Qualified Opinion issued
2003	Unqualified Opinion
2006	Unmodified Opinion

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Rough Waters

Problems Identified from 2001 Peer Review:

- Quality assurance efforts needed improvement
- Supervision not always documented.
- Internal quality reviews were not always sufficient.
- Audit plans were not always documented.
- Workpapers not always completed.
- Cross-indexing to summary workpapers without independent referencer drilling down and verifying statements of fact to detailed supporting documentation.

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DoD OIG “Righting the Audit Ship”

Quality Assurance Efforts Initiated

- Provided training on use of TeamMate
- Developed within the TeamMate library the basic planning steps required by GAGAS for all audits.
- Approval of audit guides and changes to audit guides must be documented in TeamMate and approved

- Strengthened Internal Quality Review Process
- Supervisory Review
- Independent Referencing Review (Required Checklists)
- Locking down of audit documentation subsequent to report issuance, maintained by Quality Assurance Branch so changes can not be made after report issuance.

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Ensuring Audit Quality DoD OIG Corrective Actions

Quality Assurance Today

- Supervisory review is the first and primary element for ensuring quality.
- Developed Project Quality Control Checklist
Allows for the audit team to assess compliance with GAGAS throughout the course of the audit. Checklist must be signed.

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Ensuring Audit Quality DoD OIG Corrective Actions

Quality Assurance Today (cont.)

- Audit Report Reviews
 - Editorial Quality Control Review
 - Independent Referencing Review (Training provided with refresher training required every 3 years)
 - Quantitative Methods Review
 - Draft Technical Report Reviews
 - Final Report Technical Review

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Ensuring Audit Quality DoD OIG Corrective Actions

Quality Assurance Today (cont.)

- Internal Quality Assurance Reviews
Internal quality reviews provide reasonable assurance that audits are conducted in accordance with applicable auditing standards. The Quality Assurance Branch reviews selected audits using guidance adapted from the “PCIE Guide for Conducting External Quality Control Reviews for the Audit Operations of Offices of Inspectors General”.

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Ensuring Audit Quality DoD OIG Corrective Actions

Finalizing Project Documentation

- Electronic Audit Documentation (TeamMate Project)
Official Electronic Copy is provided and maintained by Quality Assurance Branch
- Program Director and Project Manager must certify that the audit documentation are completed before final report issuance.
- Additional information provided subsequent to final report issuance is routed to Quality Assurance Branch.

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