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Description of document: Department of the Treasury Inspector General (OIG) Office of Audit Policy and Procedures Manual, 2014

Released date: 26-November-2014

Posted date: 26-January-2015

Source of document: FOIA and Transparency
FOIA Request
Department of the Treasury
Washington, DC 20220
Fax: 202-622-3895
[FOIA Online Request Form](#)

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From: "Delmar, Richard K."
Date: Nov 26, 2014 3:25:25 PM
Subject: FW: Treasury OIG-CA-13-004

OIG-13-004 is our Audit Policy and Procedures Manual.

Rich Delmar
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13-004

FOREWORD

The mission of the Office of Audit in the Department of the Treasury's Office of Inspector General is to prevent and detect waste, fraud, and abuse by conducting independent, objective audits and evaluations. The results of these reviews help ensure the effectiveness, efficiency, and integrity of Treasury programs and operations. Accordingly, it is essential that the Office of Audit establish standard operating procedures for independent, objective reviews of Treasury programs and operations.

The application of these policies and procedures, along with sound judgment and supervisory direction, are key to the Office of Audit's ability to produce reliable, informative assessments of Treasury programs and operations.

This policy and procedures manual was revised in October 2014 to address a change to our policy regarding independence threat assessments for all audits. This revision supersedes all previous revisions of the manual. This revision is effective for all Office of Audit work, including audits, attestations, evaluations, and inspections effective immediately. An electronic version of this document can be accessed on the office's intranet, [TIGNet](#).

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October 2014

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CHAPTER 1.0—OVERVIEW OF THE OFFICE OF AUDIT

1.1 Purpose

This chapter identifies the standards and federal guidance applicable to the operations of the Office of Audit (OA) in the Department of the Treasury (Treasury) Office of Inspector General (OIG). In addition, this chapter describes roles and responsibilities within OA. Treasury OIG conducts or supervises audits of Treasury programs and operations except for those programs and operations under the jurisdictions of the Treasury Inspector General for Tax Administration and the Special Inspector General for the Troubled Assets Relief Program.

1.2 Policy, Authorities, and Standards

The Inspector General Act of 1978 requires federal Inspectors General to comply with audit standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions. These standards, referred to as generally accepted government auditing standards, are issued by the Government Accountability Office (GAO) in Government Auditing Standards.¹ OA conducts audits in accordance with generally accepted government auditing standards.² The law also requires that audits performed by contractors monitored by OA also conform to generally accepted government auditing standards. The following OA work is covered by the Yellow Book:

- Financial audits include financial statement and financial-related audits
- Performance audits, include economy and efficiency audits and program audits
- Attestation engagements, which examine, review, or perform agreed-upon procedures on a subject matter or an assertion about a subject matter and report on the results

¹ GAO, Government Auditing Standards, GAO-12-331G, (2011 Revision). Throughout this manual, the term “Yellow Book” is used when referring to Government Auditing Standards

² The term “audit” as it is used throughout this manual refers to financial audits, attestation engagements, and performance audits conducted in accordance with Yellow Book

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In limited instances as approved by the Assistant Inspector General for Audit or as authorized by legislation, OA performs independent evaluations or inspections of Treasury programs and operations that are not audits.³ It is OA policy to conduct this work in accordance with Quality Standards for Inspection and Evaluation, established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).⁴

OA responsibilities are established or guided by the following:

- The Inspector General Act of 1978. The Inspector General Act establishes federal OIGs as independent and objective units to (1) conduct and supervise audits and investigations relating to the programs and operations of an agency; (2) provide leadership and coordination and recommend policies for activities designated to promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, such as programs and operations; and (3) provide a means for keeping the head of the agency and Congress fully and currently informed about problems and deficiencies in the administration of agency programs and operations and the necessity for corrective action.⁵
- Congressional mandates. Congressionally mandated responsibilities include, for example, financial audits, annual independent evaluations of Treasury information security policies and practices, and reviews of failed financial institutions regulated by Treasury.
- Council of the Inspectors General on Integrity and Efficiency. In addition to inspection standards, CIGIE⁶ issued standards and detailed guidance for federal OIGs, which are contained in Quality Standards for Federal Offices of Inspector

³ An inspection is a process that evaluates, reviews, studies, or analyzes the programs and activities of a department or agency for the purposes of providing information to managers for making decisions; making recommendations for improvements to programs, policies, or procedures; and identifying where administrative action may be necessary

⁴ Council of the Inspectors General on Integrity and Efficiency, Quality Standards for Inspection and Evaluation (Jan. 2012).

⁵ Pub. L. No. 95-462 (Oct. 12, 1978), as amended by Pub. L. No. 100-504 (Oct. 18, 1988).

⁶ The Inspector General Reform Act of 2008, Pub. L. No. 110-409 (Oct. 14, 2008), combined PCIE and the Executive Council on Integrity and Efficiency to create the Council of the Inspectors General on Integrity and Efficiency. Documents referred to in this manual were created before that change occurred.

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*General.*⁷ The former President's Council on Integrity and Efficiency (PCIE), in conjunction with GAO, provides more detailed requirements and guidance for financial audits conducted or monitored by the OIGs in the *GAO/PCIE Financial Audit Manual*.⁸ In the CIGIE *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, the Audit Committee provides policy guidance on implementing the general standard on quality control and assurance set forth in the Yellow Book.⁹

- Office of Management and Budget (OMB) circulars and bulletins. OMB has issued the following circulars and bulletins that address the conduct or supervision of federal audits:

OMB Circular No. A-50, Audit Follow-up

OMB Circular No. A-123, Management Responsibility for Internal Control

OMB Circular No. A-127, Financial Management Systems

OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations

OMB Circular No. A-136, Financial Reporting Requirements

OMB-Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended

- Treasury Order 114-01, Office of Inspector General. This Treasury Order established an OIG within Treasury.

⁷ CIGIE, *Quality Standards for Federal Offices of Inspector General* (August 2012). This document is often referred to as the Silver Book.

⁸ GAO and PCIE, *GAO/PCIE Financial Audit Manual*, vol. 1, GAO-08-585G (July 2008), vol. 2, GAO-08-586G (July 2008), vol. 3, GAO-07-1173G (August 2007).

⁹ Council of Inspectors General on Integrity and Efficiency, *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* (Updated November 2012).

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- Treasury Directives. The following Treasury directives identify functions and responsibilities of OIG:

Treasury Directive 27-12, Organization and Functions of the Office of Inspector General

Treasury Directive 40-01, Responsibilities of and to the Inspector General

Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure

Treasury Directive 76-06, Request for Contract Audit Services

- Treasury Acquisition Bulletin 05-01, Contracting for Audit or Certain Nonaudit Services. This acquisition bulletin provides procedural guidance for the acquisition of audit and certain nonaudit services.

1.3 Principles for Quality Audit Work

OA is committed to quality and customer-oriented audit work. The results of the office's audit work must stand alone so that external users can benefit without the need for detailed explanation.

Quality and customer-oriented audit work depends on auditors' adherence to the following principles:

- A disciplined approach to audit selection, planning, execution, and management is essential to audit success and efficiency. No "cookbook" approach can guarantee success.
- Audit scope and methodology should be based on the issue being addressed, the objective of the study, user needs, data availability, legislative requirements, and consider the time and resources available.
- Good audit practice emphasizes quality of evidence rather than quantity.
- Audit work should yield credible, objective, and convincing results.
- Quality assurance procedures should be built into all phases of audits.
- Audit documentation should be complete, accurate, relevant, clear, concise, and understandable. Each work paper should be sufficient to stand on its own.

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- All audit documentation should be properly safeguarded and promptly reviewed.
- Referencing should be thorough and performed by an experienced auditor independent of the audit to verify the report's accuracy and logic.¹⁰
- Good communication through all staffing levels is important to ensuring successful completion of audit work.
- Sensitive issues must be communicated to the Inspector General as early as possible.

1.4 Yellow Book General Standards

The Yellow Book includes four general standards that establish a foundation for the credibility of auditors' work. These standards are to be followed by all auditors and audit organizations, both government and nongovernment, performing work subject to the Yellow Book.¹¹ The four general standards are as follows:

Independence. In all matters relating to the audit work, the audit organization and the individual auditor must be independent. Independence comprises independence of mind and independence in appearance.

Professional judgment. Auditors must use professional judgment in planning and performing audits and in reporting the results.

Competence. Staff members assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with the Yellow Book.

¹⁰ This document addresses the policies and procedures that should be used by individuals conducting the broad array of work performed by OA. The term "auditor" throughout this document includes individuals performing work under Yellow Book standards, including audits and attestation engagements, by individuals with such titles as auditor, analyst, evaluator, IT specialist, and inspector, or other similar titles.

¹¹ The term "audit organizations", refers to government audit organizations as well as public accounting or other firms that perform audits and attestation engagements using Yellow Book.

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Quality control and assurance. Each audit organization performing audits in accordance with the Yellow Book must (a) establish, implement, and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements and (b) have an external peer review performed by reviewers independent of OA at least once every 3 years.

1.5 Audit Staff Roles and Responsibilities

OA staff members are responsible for producing audit products and services that are effective, timely, and customer-focused. OA directors will ensure that audit staff members fulfill their responsibilities consistent with the Yellow Book.

1.5.1 Roles and Responsibilities Within OA

OA staff members are to conduct audit work in accordance with the Yellow Book, *Quality Standards for Inspection and Evaluation*, or other applicable standards, as determined by the requirements of the specific engagement. OA staff members include senior-level management, midlevel management, audit staff members, technical specialists, and administrative staff.

The Assistant Inspector General for Audit is the senior official in OA with overall executive responsibility for all audit planning, execution, and reporting activities. The Assistant Inspector General for Audit sets the policies and general priorities for audit activities. The Assistant Inspector General for Audit also issues the annual summary of the results of monitoring activities required under the Yellow Book and ensures actions are taken to correct any systemic issues needing improvement that are identified.

The Deputy Assistant Inspectors General for Audit are responsible for the following:

- Assisting the Assistant Inspector General for Audit in the audit planning process to ensure that the annual audit plan includes the highest-priority work, consistent with priorities established for OA by the Inspector General
- Ensuring timely completion of mandated audit work under their assigned areas of responsibility and undertaking high-priority, self-initiated audit work, in

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consultation with the Assistant Inspector General for Audit, that is consistent with the annual audit plan and emerging events

- Assigning individual audits, in consultation with the Assistant Inspector General for Audit, to audit directors
- Holding audit directors accountable for performing audit work in accordance with the Yellow Book or other applicable standards and with OA policy
- Informing the Assistant Inspector General for Audit promptly of significant issues affecting audits under his or her area of responsibility
- Providing the Assistant Inspector General for Audit input on the results of monitoring activities performed and systemic issues identified for the annual summary required by the Yellow Book¹²

Audit directors are responsible for the following:

- Directing and supervising the work of audit managers in their directorate to ensure that audits are conducted in conformity with the Yellow Book or other applicable standards and with OA policy
- Approving all audit programs, resource needs, and project milestones and ensuring that resources and milestones are consistent with deadlines for mandated audits and timely completion of other audits
- Advising their cognizant Deputy Assistant Inspector General for Audit promptly of significant issues affecting assigned audits, including matters affecting independence; congressional or media interest; the audited entity's refusal to provide or delay in providing information; indicators of fraud; significant changes in project scope, resource needs, and estimated milestone dates
- Ensuring coordination with GAO and other audit organizations to minimize scheduling conflicts and duplication of effort
- Advising their cognizant Deputy Assistant Inspector General for Audit in advance of all meetings with senior Treasury officials and all conferences that, in their judgment, would be of immediate interest to the Deputy Assistant Inspector General for Audit, the Assistant Inspector General for Audit, or the Inspector General
- Leading audit entrance and exit conferences, inviting the Assistant Inspector General for Audit and cognizant Deputy Assistant Inspector General for Audit to

¹² Yellow Book paragraph 3.95.

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scheduled conferences, and informing them in advance of significant issues expected to arise in the conferences

- Discussing with the cognizant Deputy Assistant Inspector General for Audit any significant "passed" comments made by referencers and any disagreement by an audit team member about the conduct of or conclusions reached on an assigned audit
- Providing the cognizant Deputy Assistant Inspector General for Audit input on the results of monitoring activities performed and systemic issues identified for the annual summary required by the Yellow Book

Audit managers are responsible for the following:

- Directing and supervising the work of the audit team on assigned audits to ensure adherence to the Yellow Book or other applicable standards and with OA policy
- Reviewing audit programs, project staffing resource needs, and project milestones developed by the auditor-in-charge for soundness and adherence to the Yellow Book or other applicable standards and with OA policy
- Participating in entrance and exit conferences
- Ensuring that other OIG components, principally the Offices of Investigations and Counsel, are consulted about audits as appropriate
- Ensuring that audit status reports are created or updated and posted to the shared folder monthly
- Coordinating the work of the referencer and ensuring that review comments are either addressed or referred to the audit director for resolution
- Advising the audit director promptly of any significant issues affecting assigned audits

Auditors-in-charge are responsible for the following:

- Ensuring that planning for their audits—including preparation of the audit program, identification of staffing and other needs, and development of project milestones—is consistent with the Yellow Book or other applicable standards and with OA policy
- Assigning work to audit team members and reviewing their work for adherence to the audit program, the Yellow Book or other applicable standards, and OA policy

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- Coordinating the audit effort with onsite auditors, auditors in other offices, and other OIG components
- Performing fieldwork, as necessary
- Participating in entrance and exit conferences
- Ensuring that draft reports adhere to the Yellow Book or other applicable standards and OA policy and that draft reports are accurate, complete, clear, and concise
- Advising the audit manager promptly of any significant issues affecting assigned audits

Team members (auditors, specialists, support staff, and others) are responsible for the following:

- Assisting in planning audits
- Preparing audit documentation for assigned segments of audit fieldwork in accordance with the audit program, the Yellow Book or other applicable standards, and OA policy
- Drafting audit findings and sections of audit reports that conform with the Yellow Book or other applicable standards and OA policy
- Participating, as directed, in job progress briefings with OA management and audit entrance and exit conferences
- Advising the auditor-in-charge promptly of any significant issues affecting assigned audit work

1.5.2 Team Concept

OA work is generally done by teams of auditors. Teams are formed at the beginning of audits and include all participating staff auditors, support staff, senior auditors, audit managers, audit directors, and audit executives.

Team meetings should be held at appropriate junctures throughout the audit. Usually the team should meet with the Assistant Inspector General for Audit and the cognizant Deputy Assistant Inspector General for Audit at the following three critical points:

- At the beginning of audit planning
- At the end of audit planning
- After substantial completion of audit fieldwork

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The purpose of the meetings during the planning phase is to reach agreement on audit objectives and methodology. The purpose of the meeting at end of fieldwork is to reach agreement on the report message.

Roles assigned to staff members may vary from audit to audit and are determined by the staff member's availability and by the experience or specialty required for the assignment. In some instances, staff members may fill more than one role on an audit and may serve on several audits at one time. Staff members may also sometimes report to a staff member whose grade is the same as their own.

1.6 Auditing in a TeamMate[®] Environment

TeamMate[®], OA's automated work paper and reporting system, contains libraries with standard audit policies and procedures that implement this policy and procedures manual by providing basic templates for audits, attestation engagements, and other assignments. The OA TeamMate[®] administrator will ensure that TeamMate[®] is promptly updated to incorporate changes in audit policies and guidance and is responsible for updating the office's TeamMate[®] Protocol. TeamMate[®] is to be used for all OA work unless

- the audit work is designated "classified", as outlined in [Chapter 10](#) of this manual, or
- the Assistant Inspector General for Audit has specifically granted a request for an exception (the request must contain a justification for the exception from the requestor, and if the request for an exception is granted, evidence of the Assistant Inspector General for Audit's response must be included in the audit documentation).

Manual work papers are to adhere to the Yellow Book or other applicable standards and should be properly assembled and numbered.

1.7 Compliance with Section 508 of the Rehabilitation Act

Section 508 of the Rehabilitation Act of 1973, as amended, requires that federal agencies develop, maintain, procure, and use electronic and information technology

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that is accessible to people with disabilities, including employees and members of the public.¹³ OA will comply with these requirements for all work generated within OA.

1.8 Maintaining the Policy and Procedures Manual

The policy and procedures manual will be updated regularly. The Office of Audit Operations has primary responsibility for updating the manual. At the end of every year the Director of Audit Operations will review the manual to ensure that it is current and relevant and that the links included are active and current and will prepare a memorandum to the Assistant Inspector General for Audit indicating that the annual review has been accomplished and summarizing any significant changes made.

OA staff members are encouraged to propose revisions to the manual through their supervisory management chain to the Director of Audit Operations. The staff member is encouraged to provide the proposed new language and reasons for the proposed change. The Assistant Inspector General for Audit and cognizant Deputy Assistant Inspector General for Audit will review and approve any revisions. The Assistant Inspector General for Audit will announce significant interim changes of the manual to OA in memoranda and these changes will be inserted into the manual at the next regular update.

¹³ Section 508 of the Rehabilitation Act (29 U.S.C. 794d), as amended by the Workforce Investment Act of 1998 (Pub. L. No. 105-220, Aug. 7, 1998).

CHAPTER 2.0 – TYPES OF WORK PERFORMED BY OA

2.1 Purpose

This chapter describes the types of audits, attestation engagements, and other work performed by OA. This work affects government programs and operations, and federal awards administered by nongovernment entities.

2.2 Policy

Most OA work consists of financial audits, attestation engagements, and performance audits. This work is performed in accordance with the Yellow Book. OA staff members will follow all Yellow Book unconditional requirements.¹⁴ In rare circumstances where staff members determine it is necessary to depart from a Yellow Book presumptively mandatory requirement,¹⁵ staff members will perform alternative procedures to achieve the intent of the requirement and document the justification for the departure and how the alternative procedures performed were sufficient to achieve the intent of the requirement in the work papers. The need to depart from a presumptively mandatory requirement should be discussed with the cognizant Deputy Assistant Inspector General for Audit.

2.3 Financial Audits

Financial audits are primarily concerned with providing reasonable assurance as to whether financial statements are presented fairly in all material respects in conformity with U.S. generally accepted accounting principles or with another comprehensive basis of accounting.

Chapter 4 of this manual contains a more detailed description of financial audits.

2.4 Attestation Engagements

Attestation engagements concern examining, reviewing, or performing agreed-upon procedures on a subject matter or an assertion about a subject matter, and reporting

¹⁴ Yellow Book uses the term "must" to identify unconditional requirements.

¹⁵ Yellow Book uses the term "should" to identify presumptively mandatory requirements.

CHAPTER 2.0—TYPES OF WORK PERFORMED BY THE OFFICE OF AUDIT

on the results. Attestation engagements can cover a broad range of financial or nonfinancial objectives and may provide different levels of assurance about the subject matter or assertion, depending on user needs.

Chapter 6 of this manual contains a more detailed description of attestation engagements.

2.5 Performance Audits

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

Chapter 7 of this manual contains a more detailed description of performance audits.

2.6 Other Work

OA may perform a variety of other work, including the following:

- Serving as a Contracting Officer's Representative for financial statement audits, attestation engagements, information technology audits, and performance audits performed by independent public accounting firms under contract with OIG
- Participating in an advisory capacity on committees or task forces to advise Treasury management
- Coordinating contract audits performed by the Defense Contract Audit Agency
- Performing quality control reviews of audits conducted in accordance with the Single Audit Act
- Preparing congressional testimony
- Responding to internal and external information requests
- Conducting peer reviews of other OIG audit organizations

Work for such services should follow the procedures specified in applicable chapters of this manual.

CHAPTER 2.0—TYPES OF WORK PERFORMED BY THE OFFICE OF AUDIT

2.7 Inspections and Evaluations

In certain instances, OA can perform independent evaluations, inspections, or program reviews conducted in accordance with Quality Standards for Inspection and Evaluation. CIGIE established these standards to guide the conduct of all inspection work performed by the Inspector General community and it reviews these standards periodically to ensure their continuing relevancy and sufficiency. The use of inspection standards for an engagement must be approved by the Assistant Inspector General for Audit.

2.8 Nonaudit Services

The Yellow Book defines nonaudit services as professional services other than audits or attestation engagements. OA does not anticipate providing nonaudit services but the policy in Section 3.3.3 of this manual should be followed if a nonaudit service is contemplated. The section provides OA staff members guidance on how to assess the impact that performing a nonaudit service may have on auditor and audit organization independence and how to mitigate threats to independence in accordance with the Yellow Book independence standard.

CHAPTER 3.0 – GENERAL STANDARDS

3.1 Purpose

This chapter specifies the general auditing standards that OA is to follow in managing and performing audits of Treasury programs and operations.

3.2 Policy

OA follows the general Yellow Book standards concerning the fundamental requirements for ensuring the credibility of auditors' results.

These general standards concern the following:

- The independence of the audit organization and its individual auditors
- The exercise of professional judgment in the performance of work and the preparation of related reports
- The competence of audit staff members, including the need for their continuing professional education
- Quality control systems and peer reviews of other federal OIGs

As OA policy, these general standards also apply to evaluations and inspections performed by OA.

3.3 Independence

OA staff members must maintain both independence of mind and independence in appearance so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Independence of mind and in appearance permits individual auditors to act with integrity, and exercise objectivity and professional skepticism while performing their work. Engagement staff members should be independent from an audited entity for any period of time that falls within the period covered by the subject matter of the audit and for the period of the professional engagement, which begins when the engagement letter is issued or the audit staff member begins to perform work, whichever is earlier.

CHAPTER 3.0 – GENERAL STANDARDS

The Yellow Book provides four practical considerations for determining independence for OA staff members performing audits and attestation engagements.

- A conceptual framework approach based on the circumstances of the audit or individual auditor
- Organizational structure
- Nonaudit services
- Documentation

OA guidance for applying these considerations is provided in three sections of this manual, [Section 3.3.1 Yellow Book Conceptual Framework Approach to Independence](#), [Section 3.3.2 Organizational Structure](#), and [Section 3.3.3 Nonaudit Services](#). Optional guidance for documenting independence is located within each of these sections.

OA determined that the following work are not nonaudit services:

- Inspections and evaluations performed in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*.
- Monitoring the work of independent public accounting firms under contract with OIG. In those cases, OA staff members monitoring the work of others will determine their independence based on the guidance provided in [Section 3.3.1](#) of this manual.

3.3.1 Yellow Book Conceptual Framework Approach to Independence

The Yellow Book provides a conceptual framework for independence determinations based on facts and circumstances unique to specific environments. The framework requires auditors to identify and evaluate threats to independence and apply safeguards to address these threats. This conceptual framework assists auditors in maintaining both independence of mind and independence in appearance.

To apply this conceptual framework, all staff members, including the Assistant Inspector for Audit, the cognizant Deputy Assistant Inspector General for Audit, and

CHAPTER 3.0—GENERAL STANDARDS

specialists¹⁶ assigned to the engagement, need to continuously be cognizant of any circumstances that could be indicative of a threat to independence. Staff members must promptly notify their audit manager for the engagement if they believe their independence or objectivity is or may be threatened at the time they suspect a threat to their independence. The audit manager for the engagement will promptly discuss the identified threat and the proposed safeguard or resolution with the audit director. The audit director will notify the cognizant Deputy Assistant Inspector General for Audit who will notify the Assistant Inspector General for Audit. If safeguards are not available to eliminate an unacceptable threat or reduce it to an acceptable level, independence would be impaired. Staff members must be removed from an engagement if they become affected by influences that compromise their independence or provide an appearance that causes a reasonable and informed third party to conclude that the staff member's independence has been compromised. The audit manager for the engagement should document threats, safeguards applied to eliminate threats or reduce them to an acceptable level, and the resolution of impairments in the engagement work papers.

The audit manager for the engagement should obtain a threat assessment from each staff member, including the Assistant Inspector General for Audit, the cognizant Deputy Assistant Inspector General for Audit, and specialists¹⁷ assigned to the engagement, to identify threats to each staff member's independence, evaluate the significance of the threats identified, both individually and in the aggregate; and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level. The audit manager for the engagement is responsible for initiating the threat assessment. These threat assessments should be obtained at the following points during the performance of the engagement.

- Beginning of the staff member's assignment to the engagement (Initial Threat Assessment)

¹⁶ The conceptual framework for independence applies to both internal specialists and external specialists; whether consulting on the engagement or directing, performing audit procedures, or reporting on the engagement.

¹⁷ The audit manager for the engagement should obtain threat assessments from individuals assigned to an engagement from Treasury OIG's Office of Counsel, Office of Investigations, or Office of Management; and external specialists under contract with our office. The documentation and frequency of threat assessments for external specialists is determined by the contract.

CHAPTER 3.0—GENERAL STANDARDS

- Assignment of referencer to the engagement (Referencer Threat Assessment)
- Between receipt of the official written comments to the formal draft and issuance of the final report (Final Threat Assessment)

The audit manager for the engagement should document the threat assessment and any meetings held to address threats, and safeguards established in the engagement work papers.

The audit manager for the engagement is responsible for adequately conducting the threat assessment with audit staff members who are assigned to the engagement. Threat assessments may be initiated through an email request, discussion with staff members, or by using the Independence Threat Assessment Instructions.

The audit manager for the engagement should document in the engagement work papers when staff members are no longer assigned to the engagement. Documentation should include the staff member's names and the date they left the engagement.

If a threat to independence is identified after the engagement report is issued, auditors should evaluate the threat's impact on the engagement and on Yellow Book compliance. If the auditors determine that the newly identified threat had an impact on the engagement that would have resulted in the report being different from the report issued had the auditors been aware of it, they should,

- Communicate the impact to the appropriate officials of the engaged entity and appropriate officials of the organizations requiring or arranging for the engagement, and other known users, so that they do not continue to rely on findings or conclusions that were impacted by the threat to independence.
- Remove the report on OIG's public facing website and post a public notification that the report was removed.
- Determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions or repost the original report if the additional work does not result in a change in findings or conclusions.

The Yellow Book provides broad categories of threats that can impair independence in paragraphs 3.14 and 3.15 and examples of safeguards that can be used to eliminate or reduce threats to an acceptable level in paragraphs 3.17 and 3.19.

CHAPTER 3.0—GENERAL STANDARDS

3.3.2 Organizational Structure

Whether reporting to external third parties or to top management within the audited entity, audit organizations must be free from impairments to independence with respect to the entities they audit. Structural impairments to independence result when the audit function is organizationally located within the reporting line of the areas under audit. Treasury OIG's audit organization is located outside Treasury's reporting line for the areas it audits and is therefore free from threats and impairments to independence with respect to the entities it audits. This determination is not included in the audit documentation of specific engagements.

3.3.3 Nonaudit Services

As mentioned in [Section 2.B](#) of this manual, the Yellow Book defines nonaudit services as professional services other than audits or attestation engagements. The Yellow Book provides examples of nonaudit services in paragraphs 3.49 through 3.57 that may not impair independence when safeguards are applied. The Yellow Book also provides examples of nonaudit services in paragraph 3.58 that always impair an external auditor's independence with respect to an audited entity. OA does not anticipate providing nonaudit services but the following policy should be followed if a nonaudit service is contemplated.

Before agreeing to provide a nonaudit service for an audited entity, OA staff members should

- determine whether by providing the nonaudit service, OA could be assuming a management responsibility as described in the Yellow Book, paragraphs 3.35 and 3.36, and therefore the nonaudit service should not be provided;
- if by providing the nonaudit service OA is not assuming a management responsibility, determine whether providing such a service will otherwise create a threat to independence, either by itself or in aggregate with other nonaudit services provided;
- respond to any identified threats to auditor and audit organization independence in accordance with the Yellow Book,

CHAPTER 3.0—GENERAL STANDARDS

- determine whether management is capable of overseeing and has agreed to oversee the nonaudit service,
- communicate with requestors and those charged with governance to clarify that the work performed does not constitute an audit conducted in accordance with the Yellow Book, and
- ensure management accepts responsibility for the results of the nonaudit service.

To assist with conducting the threat assessment, OA staff members must complete the [Checklist for Performing Nonaudit Services](#). The checklist must be documented and signed by the Director, and concurred with and signed by the cognizant Deputy Assistant Inspector General for Audit and the Assistant Inspector General for Audit.

A memorandum of understanding between OIG and the requesting entity should be executed to describe the nonaudit services to be provided and document an understanding that the requesting official will assume all management responsibilities for the nonaudit service.

Copies of the completed checklist and memorandum of understanding should be retained by staff members performing the nonaudit service and the Office of Audit Operations.

3.4 Standards of Ethical Conduct and Disclosure Requirements

[Standards of Ethical Conduct for Employees of the Executive Branch](#) provides the following general principles that apply to every government employee:

- Employees shall not hold financial interests that conflict with the conscientious performance of duty.
- Employees shall not engage in financial transactions using nonpublic government information or allow the improper use of such information to further any private interest.
- Employees shall not use public office for private gain.
- Employees shall not engage in outside employment or activities that conflict with official government duties and responsibilities.

CHAPTER 3.0—GENERAL STANDARDS

- Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or ethical standards.¹⁸

All OA staff members are to adhere to these principles.

To help ensure that staff members are free from financial impairments to independence, OA staff members between the GS-12 and GS-15 levels are required to complete an annual Confidential Financial Disclosure Report (U.S. Office of Government Ethics Form 450), and OA staff members in the Senior Executive Service are required to complete an annual Public Financial Disclosure Report (SF-278).

Although restrictions exist, federal employees generally may obtain outside employment that does not conflict with their government duties. Policy Directive 810-01, Outside Employment and Other Outside Activities, requires that all OIG employees seeking outside employment submit to their supervisor the Outside Employment and Other Outside Activity Request Form for Treasury Office of Inspector General Employees. In reviewing such requests, supervisors are to consider the effect of the outside employment or activity to the employee's independence.

These filings are maintained in OIG administrative records and should not be included in engagement documentation.

3.5 Professional Judgment

OA staff members must exercise reasonable care and professional skepticism in all aspects of carrying out their professional responsibilities, including the following:

- Following independence standards and related conceptual framework
- Maintaining objectivity and credibility
- Assigning competent staff members to perform work
- Defining scope of work
- Evaluating, documenting, and reporting the results of work
- Maintaining appropriate quality control over the assignment process
- Diligently performing, in good faith and with integrity, the gathering of information and objectively evaluating the sufficiency and appropriateness of evidence

¹⁸ 5 CFR Part 2635.

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Staff members should be mindful that professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence. Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty.

When auditors do not comply with applicable requirement(s), they should (1) assess the significance of the noncompliance to the audit objectives, (2) document the assessment, along with their reasons for not following the requirement(s), and (3) determine the type of Yellow Book compliance statement to use in the report. The auditors' determination is a matter of professional judgment, which is affected by the significance of the requirement(s) not followed in relation to the audit objectives.

3.6 Competence

To demonstrate professional competence, OA staff members assigned to an audit or attestation engagement must, collectively, possess the necessary knowledge, skills, and experience for that assignment. Accordingly, it is incumbent on OA to have processes for and each OA senior executive and supervisor to perform adequate recruitment, hiring, professional development, and evaluation of staff members to help ensure that the organization maintains a competent workforce. The professional development of OA staff members is discussed in Chapter 15 of this manual.

To ensure assigned staff members collectively possess the necessary knowledge, skills, and experience for an assignment, the supervisor will evaluate each team member's knowledge and qualifications required for the engagement as described in sections 3.6.1 and 3.6.2, respectively, and review each staff members' continuing professional education records for the current and previous 2-year continuing professional education measurement periods at the start and at the end of the assignment to determine if the Yellow Book requirements in Section 3.6.3 of this manual are met. The supervisor will include a statement in the work papers, attesting that each team member's continuing professional education record summary was reviewed, and that the team collectively possesses the necessary skill sets needed to complete the assignment. The supervisor should determine whether there are any specific training needs for each assignment, and take action to address those training needs. For example, an audit of a system development may require training in project management and if no one on the assignment has knowledge of project management concepts and application, it may be appropriate to obtain training in that specialty area.

CHAPTER 3.0—GENERAL STANDARDS

The supervisor will advise the audit director, through his or her management chain, if any staff member assigned to the engagement has a Yellow Book continuing professional education deficiency. The audit director is responsible for ensuring that remedial action is taken promptly, including removal of the staff member from the assignment if necessary, until the deficiency is adequately addressed. If a deficiency cannot be adequately addressed, the team may be required to use a modified generally accepted government auditing standards statement in the report. The audit director will also discuss the matter with the cognizant Deputy Assistant Inspector General for Audit. The supervisor will document the deficiency and its resolution in the work papers.

3.6.1 Basic Technical Knowledge and Competence Applicable to All Audits

Audit staff members assigned to perform an audit or attestation engagement under the Yellow Book should collectively possess the following.

- Knowledge of the Yellow Book applicable to the type of work they are assigned and the education, skills, and experience to apply such knowledge to the work being performed
- General knowledge of the environment in which the audited entity operates and the subject matter under review
- Skills to communicate clearly and effectively, both orally and in writing
- Skills appropriate for the work being performed

3.6.2 Additional Qualifications for Financial Audits and Attestation Engagements

Auditors performing or acting as a contracting officer's representative on financial audits should be knowledgeable of U.S. generally accepted accounting principles, the American Institute of Certified Public Accountants (AICPA) generally accepted auditing standards for field work and reporting, and the related [Statements on Auditing Standards](#), and the application of these standards. Also, if auditors use any other standards in conjunction with the Yellow Book, they should be knowledgeable and competent in applying those other standards.

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Similarly, when performing or serving as a contracting officer's representative on an attestation engagement, auditors should be knowledgeable in the AICPA general attestation standard related to criteria, the AICPA attestation standards for fieldwork and reporting, and the related Statements on Standards for Attestation Engagements.

3.6.3 Continuing Professional Education

OA staff members performing work under the Yellow Book are to maintain their professional competence by adhering to the following continuing professional education requirements:

- Each OA staff member performing work under the Yellow Book is to complete, every 2 years, at least 80 hours of continuing professional education that directly enhances professional proficiency to perform audits or attestation engagements.
- At least 24 of the 80 hours of continuing professional education should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.
- At least 20 hours of the 80 should be completed in any 1 year of the 2-year period.¹⁹

Staff members should determine whether external specialists assisting in performing a Yellow Book audit and internal specialists consulting on a Yellow Book audit are qualified and competent in their areas of specialization; however, external specialists and consultative internal specialists are not required to meet the Yellow Book continuing professional education requirements. Internal specialists, who are involved in directing, performing audit procedures, or reporting on a Yellow Book audit, should comply with the Yellow Book, including the continuing professional education requirements.

Chapter 15 of this manual contains more specific OA policy regarding continuing professional education.

¹⁹ GAO, *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education*, GAO-05-568G (April 2005), contains information on exceptions to these requirements and on measuring "partial compliance periods" for staff members hired or assigned to audits after the beginning of an organization's 2-year continuing professional education period.

3.7 Quality Control and Assurance

OA is required to establish and maintain a system of quality control to ensure that work performed adheres to established policies and procedures and meets Yellow Book requirements. The Office of Audit Operations documents OA's quality control policies and procedures and communicates those policies and procedures to audit staff members. The Office of Audit Operations also documents OA's compliance with OA quality control policies and procedures and maintains such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of OA's compliance with its quality control policies and procedures. OA's quality control system consists of the following general elements:

- Organization and planning, to provide a logical and orderly flow of work with few or no interruptions
- Independence, to provide reasonable assurance that auditors' opinions, conclusions, judgments, and recommendations will be impartial and viewed as impartial by knowledgeable third parties
- Staff member assignment, to provide reasonable assurance that work will be performed by persons with the necessary technical training, proficiency, and independence
- Recruiting, to provide reasonable assurance that staff members are hired with the appropriate skills to perform their duties competently
- Professional development, to provide reasonable assurance that staff members will have adequate knowledge to fulfill their assigned responsibilities
- Supervision, to provide reasonable assurance that work produced by all levels of OA staff members will be adequately supervised and reviewed
- Policies and procedures, to ensure quality control and maintenance of professional standards
- Monitoring procedures, to ensure results of monitoring will be documented on an annual basis, communicate to appropriate personnel any deficiencies noted during the monitoring process, and make recommendations for appropriate remedial action

In addition, OA's quality control system incorporates the following review elements:

- Independent report referencing, to provide OA with assurance that audit reports are accurate, logical, and adequately supported
- Headquarters desk reviews, conducted by the Deputy Assistant Inspectors General for Audit, of audit reports, and audit correspondence signed by the Assistant Inspector

General for Audit or the Inspector General, to verify that such reports and correspondence are complete and consistent with OA policy and that the reports meet established professional standards

- Internal quality control reviews, performed by the Office of Audit Operations on selected audits, attestations, evaluations, and inspections to provide OA with reasonable assurance that all work performed is in accordance with professional standards and OA policy
- External peer reviews, required by Yellow Book to be conducted at least once every 3 years by federal auditors outside OIG, to determine, for the period under review, whether OA's quality control system was suitably designed and whether OA complied with the system

Collectively, the policies and procedures in OA's system of quality control described in this manual address leadership responsibilities for quality within OA; independence, legal, and ethical requirements; initiation, acceptance, and continuance of audit, attestation, evaluation, and inspection engagements; human resources; audit and attestation engagement performance, documentation, and reporting; and monitoring of quality.

3.8 Internal Quality Control Reviews

OA maintains an internal quality control review process for all audits and attestation engagements performed in accordance with the Yellow Book and evaluations performed in accordance with Quality Standards for Inspection and Evaluation. The OA internal quality control review process helps the Assistant Inspector General for Audit

- achieve and maintain an acceptable level of quality and efficiency;
- ensure that audits and evaluations meet applicable professional standards and OA policies and procedures; and
- provide a means for continuous improvement within OA.

The Office of Audit Operations is responsible for overseeing the quality control program and quality control reviews. It is also responsible for performing the following required functions of OA's internal quality control review process:

- Selecting in consultation with the Assistant Inspector General for Audit an appropriate cross-cut of OA audits and other work products for review

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- Conducting the entrance conference
- Establishing the review start date
- Establishing the review completion date
- Supervising the performance of the review
- Conducting the exit conference
- Preparing and issuing the draft report
- Addressing and incorporating management's comments
- Issuing the final report

Both draft and final quality control review reports are to be addressed to the Deputy Assistant Inspector General for Audit of the directorate reviewed.

Any staff member at grade 13 or above, from any audit directorate, may be asked by the Director of Audit Operations, in consultation with the cognizant Deputy Assistant Inspector General for Audit regarding timing of the assignment, to assist on a quality control review. Assisting auditors must be independent of both the directorate and the audit or evaluation under review and have no impairments with respect to the subject of the audit, attestation, evaluation, or inspection under review.

CHAPTER 4.0—FINANCIAL AUDITS

4.1 Purpose

This chapter establishes OA policy related to performing financial audits of Treasury and its component entities.

4.2 Policy

It is OA policy that financial audits be conducted in accordance with Yellow Book and OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements (and successor issuances). The methodology for performing these audits is provided in the GAO/PCIE Financial Audit Manual. OA will ensure that methodologies used by contracted independent public accounting firms conform to GAO/PCIE Financial Audit Manual requirements.

4.3 Scope of Financial Audit Work

Financial audits are primarily concerned with providing reasonable assurance about whether financial statements are presented fairly in all material respects in conformity with U.S. generally accepted accounting principles or with another comprehensive basis of accounting. Specific financial audits may require different levels of assurance, entail different scopes of work, or have other objectives, including the following:

- Providing special reports for specified elements, accounts, or items of a financial statement
- Reviewing interim financial information
- Issuing letters for underwriters and certain other requesting parties
- Auditing compliance with regulations relating to federal award expenditures and other government financial assistance in conjunction with or as a byproduct of a financial statement audit

Financial audits at Treasury include annual audits of the Department's consolidated financial statements, as required by the Chief Financial Officer's Act and the Government Management Reform Act, and audits of component entities that are subject to stand-alone audit requirements. These component entities include the Bureau of Engraving and Printing, Exchange Stabilization Fund, Federal Financing Bank, Office of the Comptroller of the Currency, Mint, Treasury Forfeiture Fund, Office of the District of Columbia Pensions, Community Development Financial Institutions Fund, the Internal Revenue Service (IRS), and

CHAPTER 4.0—FINANCIAL AUDITS

the Office of Financial Stability. Financial audits are also performed of the Financial Crimes Enforcement Network and Alcohol and Tobacco Tax and Trade Bureau as a management initiative. In addition, certain financial audit work must be performed at the Department to support the financial statement audits of other federal agencies—in particular, audit work related to the government trust funds managed by the Bureau of the Fiscal Service.

The audit report on the consolidated financial statements is included in the Treasury's annual performance and accountability report or agency financial report. In addition, the Federal Financial Management Improvement Act requires that agencies identify and report, instances in which their financial management systems are not in substantial compliance with federal financial management systems requirements, applicable federal accounting standards, and the standard general ledger at the transaction level. The Federal Financial Management Improvement Act also requires that OIG include in its semiannual reports to Congress instances in which the Department has not met targets for making its accounting systems compliant with the Act's requirements.

4.4 Statutory Authority for Financial Audits

In accordance with the Inspector General Act of 1978, as amended, and the Chief Financial Officers Act of 1990, financial audit work performed at the Department is performed by OA or an independent public accountant determined by OA, except as follows:

- GAO has the discretion to perform financial audit work required by the Chief Financial Officers Act of 1990, in lieu of the Inspector General of the agency. GAO has exercised its discretion to audit the financial statements of the IRS and the Schedule of Federal Debt reported by the Bureau of the Fiscal Service.
- In accordance with the Emergency Economic Stabilization Act of 2008, GAO is required to audit the financial statements of the Office of Financial Stability.

4.5 Independence Requirements

OA must ensure not only that contracted independent public accountants adhere to the independence requirements referenced in Chapter 3 of this manual but also that they do not provide nonaudit services that would create an impairment in fact or appearance that would adversely affect their independence. All audit contracts with independent public accountants must contain notification provisions regarding actual or contemplated nonaudit services, and OA must concur that such services would not impair independence.

CHAPTER 4.0—FINANCIAL AUDITS

4.6 Financial Audit Staff Member Responsibilities

The Assistant Inspector General for Audit, in consultation with the Inspector General, is responsible for approving performance of financial audits and determining whether the audit should be performed by OA or by a contracted independent public accountant.

The Deputy Assistant Inspector General for Financial Management and Information Technology Audit is responsible for the execution of financial audits.

The Director of Financial Audit is responsible for performing, or monitoring the performance of, contracted independent public accountants that perform financial audits of Treasury and its component entities. The Director of Financial Audit is also responsible for coordinating with GAO on its financial audits of the IRS, the Office of Financial Stability, and the Bureau of the Fiscal Service's Schedule of Federal Debt.

The Deputy Assistant Inspector General for Financial Management and Information Technology Audit has signatory authority for financial statement audit reports. Signatory authority may be delegated to the Director of Financial Audit.

4.7 Procurement of Contracted Financial Audits

Policies regarding procurement and technical oversight of independent public accountants for contracted financial audits are addressed in Chapter 5 of this manual.

4.8 Funding for Financial Audits

Contracted financial audits that support financial statement audit requirements are funded as follows:

- Nonappropriated entities directly fund their own audits.
- Audits of appropriated entities, including the audit of the Department's consolidated financial statements, are funded centrally by the Department. OIG provides the Department with estimates of audit costs for appropriated entities for inclusion in annual budget submissions.

CHAPTER 4.0 – FINANCIAL AUDITS

Most contracted financial audits are procured by OIG. In these instances, OIG enters into an interagency reimbursable services agreement with the audited entity to fund the audit.

OIG funds financial audit work performed directly by OA staff members but may request reimbursement from an audited entity for out-of-pocket costs, such as travel costs, incurred in connection with the performance of the audit work.

4.9 Quality Control

In addition to complying with the reporting requirements set forth in [Chapter 9](#) of this manual for audits performed by OA, auditors should complete the Financial Statement Audit Completion Checklist from Section 1003 of the [GAO/PCIE Financial Audit Manual](#) before issuing the final audit report.

4.10 Supervision

Financial audits are to be properly supervised in accordance with the Yellow Book. Evidence of supervision must be documented. Documentation of supervision can include, but is not limited to, the following:

- Records of team meetings conducted during the audit including conferences with the cognizant Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit
- Supervisory sign-off on individual work papers

The nature of the review of the work may vary depending on the significance of the work or the experience of team members. Supervisors should use their judgment in determining the timing and extent of review.

Although supervisory authority rests with the manager, review tasks can be performed by both senior auditors and staff auditors, depending on the makeup of the audit team and the nature of the work performed. For example, managers can assign supervisory review responsibility for individual work papers to the auditor-in-charge. Staff auditors can also contribute to the review process by reviewing each other's work before submitted to the manager or auditor-in-charge.

Managers are responsible for reviewing and signing-off on individual work papers prepared by the auditor-in-charge and all summary review memoranda and for

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reviewing other work papers to the extent necessary to ensure the sufficiency and appropriateness of the audit evidence obtained. Similarly, directors are responsible for reviewing and signing work papers prepared by a manager, and reviewing other work papers to the extent necessary to ensure the sufficiency and appropriateness of the audit evidence obtained. It is anticipated that the director's review will be focused primarily on manager-prepared work papers and the high-level summary memoranda, but the director's review may be as extensive as deemed necessary and appropriate in the circumstances.

Reviewers should prepare review (coaching) notes on items in audit documentation that need to be addressed. The staff member who prepared the work paper is responsible for answering all review notes in an appropriate manner. The preparer of the review note should clear the note only when he or she is satisfied that the content of the note has been adequately addressed. Review notes are to be retained as part of the audit documentation until the documentation is finalized at which time the review notes are to be deleted (for documentation maintained in TeamMate[®]) or removed and destroyed (for documentation maintained outside of TeamMate[®]). The director is responsible for ensuring the finalization of the audit documentation and removal of review notes.

To ensure that audit objectives are addressed in a timely and appropriate manner, supervisors should continuously monitor progress and review documentation at intervals commensurate with the experience of assigned staff members, complexity of the audit, and timeframes necessary to meet any statutory or other pre-established reporting deadlines. Work that is complex or that has been performed by an inexperienced staff member will require more frequent review than other work.

CHAPTER 5.0—CONTRACTOR ACQUISITION AND OVERSIGHT

5.1 Purpose

This chapter establishes guidelines for acquiring and overseeing audit, attestation, and evaluation work performed by contractors for OA, as required by the Inspector General Act of 1978, the Yellow Book, and pursuant to Treasury Directive 40-01, Responsibilities of and to the Inspector General.

5.2 Policy

It is OA policy that, when OA deems it necessary to meet its responsibilities, it can contract with non-federal auditors to perform audit services. Audit services can be contractually acquired for (1) financial audits and attestation engagements, (2) performance audits, and (3) information technology audits and evaluations.

Requests for proposals from non-federal auditors to perform audit services for OA are to contain fully developed statements of work that include a clearly and fully defined scope, objectives, and methodology and a requirement that work be performed in accordance with applicable standards (Yellow Book for audits and attestation engagements; Quality Standards for Inspection and Evaluation for evaluations). In addition, OA requires the submission of the non-federal auditor's most current external peer review report, including separate communications referenced in the peer review report or filed with the peer review administrative agency, and representations of independence to perform the requested work based on the applicable standards.

If audit services are contractually acquired, OA is responsible for monitoring the contractor's performance to ensure timely and satisfactory performance. Monitoring should be performed throughout all phases of the engagement.

5.3 Contractor Acquisition and Oversight Definitions, Roles, and Responsibilities

Only the contracting officer has authority to enter into, terminate, or change a contractual commitment on behalf of the government.

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OA staff members serving as contracting officer's representatives support the contracting officer during the contract administration process. The principal role of the contracting officer's representative is to furnish technical guidance and monitor contract performance. Specific contracting officer's representative responsibilities include the following:

- Coordinating with the contractor on all technical matters that may arise in the performance of the contract
- Providing technical clarification of the meaning of the statement of work, including inspection, testing, and acceptance procedures
- Monitoring and inspecting the contractor's progress and performance to assure compliance with contract terms and conditions
- Receiving, reviewing, and accepting deliverables on OA's behalf
- Verifying satisfactory delivery of contract items or performance and approving invoices for payment
- Notifying the contracting officer of any deficiencies in the quality or delivery of work

The Counsel to the Inspector General is responsible for providing guidance and advice on all aspects of the pre-award, performance, and closeout phases of the contract, as requested.

The Deputy Assistant Inspectors General for Audit, in consultation with the Assistant Inspector General for Audit, are responsible for approving procurement requisitions and contracts within their respective areas of responsibility. Directors are responsible for designating staff members to serve as contracting officer's representatives.

OA staff members serving as the contracting officer's representatives are responsible for the following:

- Completing and maintaining required contracting officer's representative training and experience as required by OMB Memorandum, Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR) (Sep. 6, 2011) and implemented in Acquisition Procedures Update (APU) No. 2012-05, Memorandum for Bureau Chief Procurement Officers (Sep. 13, 2012)
- Ensuring that acquisition and oversight of services for specialists and non-federal auditors meet the minimum requirements of this chapter

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- Completing all assigned contracting officer's representative responsibilities related to monitoring contractors in accordance with this policy and its references
- Keeping both OA management and the contracting officer informed of any problems related to the contractor's performance
- Providing the necessary support to the contracting officer for any potential adverse actions required against a contractor for failing to meet the terms and conditions of a contract

Contract administration is the process of ensuring that all aspects of a contract are fulfilled, beginning after the award of the contract and continuing through contract closeout. The contracting officer's representative and the contracting officer function as a team in performing contract administration. The contracting officer administers the contract, including maintaining the official contract file, for each contract until the time of contract closeout. The contracting officer's representative ensures that acceptable goods or services are delivered by performing oversight of the contractor's performance of the technical requirements of the contract.

Oversight management consists of all activities and steps performed by the program office to ensure that the contractor delivers the goods or performs the work required under the contract. For the purpose of this manual, OA is designated as the program office and OA oversight staff members are the contracting officer's representatives.

5.4 Decision to Procure Contractor Services

Contractor services can be procured through an OIG-identified procurement vehicle or through the audited entity's procurement office. OIG, the audited entity's management, and the designated procurement office may consider executing a memorandum of understanding detailing the duties and responsibilities of each party in the procurement process.

The audited entity should typically be asked to:

- Review and comment on the statement of work, government estimate, and technical evaluation plan (note that OIG is responsible for these products)
- Participate on the technical evaluation panel

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- Assist in the resolution of problems on matters such as providing documents and information requested by the non-federal auditor
- Providing funding for the contract and all modifications

The procurement office is usually responsible for the following:

- Preparing the request for quotations
- Preparing and issuing the award and any OIG-approved contract modifications
- Administering the contract (including assisting in resolving problems and processing invoices and payments)
- Closing out contracts

5.4.1 Statement of Work Preparation

All contract actions require a clear and concise description of the services to be procured. This description is documented in a statement of work. At a minimum, statements of work for the services of an expert or non-federal auditor should include the following:

- General information, such as requirements related to labor categories, suitability clearances, preparation of audit documentation, substitution of key personnel, subcontracting, submission of invoices, and payment schedule
- Specific work requirements, such as purpose, scope, and objectives of work
- Background information on the audited entity
- Deliverables and related due dates
- Compliance of work with Yellow Book or *Quality Standards for Inspection and Evaluation*, and as applicable, the *GAO/PCIE Financial Audit Manual*.
- Compliance of deliverables with Section 508 of the Rehabilitation Act, as amended
- Instructions on proposal content requirements, evaluation factors, and award procedures

5.4.2 Determination of Need for Pre-Award Bidders' Conference

For complex contracts, oversight staff members should consider holding a pre-award bidders' conference with potential bidders to ensure that potential bidders fully

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understand all provisions and requirements of the contract. The contracting officer is responsible for chairing the conference and supporting the contracting officer's representative in the presentation of contract requirements. The contracting officer's representative should provide potential bidders with any OIG or Treasury procedures, policies, and other information needed to perform the engagement. The conference agenda should include a discussion of the work specifications in the statement of work; required deliverables; and contractual provisions (such as key personnel, invoicing procedures, deliverable acceptance and rejection procedures, and technical instructions).

5.4.3 Evaluation of Proposals

After all technical and price proposals are received, a panel will be assembled to evaluate bidders' proposals. This panel should consist of OIG staff members and may also contain representation from the audited entity. However, an OIG staff member must chair the panel, and OIG staff members must constitute the majority of panel members. Factors to consider in evaluating bid proposals include the following:

- Quality of proposed audit, attestation, or evaluation approach in the context of the engagement requirements
- Past performance of the bidder
- Experience and qualifications of key personnel
- Management plan proposed to meet requirements
- Price of work

In addition, the evaluation should include a review of the bidder's most current peer review report and related materials and the bidder's independence representations.

5.4.4 Awarding the Contract

After the panel has completed its evaluation of the technical and price proposals, the panel may submit questions about the proposals to respective bidders. Once the questions have been addressed to the satisfaction of the panel, the contracting officer will request final bid offers. The panel will consider the final bidders' offers, and submit to the contracting officer its recommendation for selection. OIG and the contracting officer consult on the selection, after which the contracting officer makes the contract award.

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5.4.5 Oversight of the Contract

OA oversight staff members should consider the following in determining the degree of monitoring and oversight needed for a particular contract:

- Contract type—time and materials contracts require more monitoring than firm fixed-price contracts.
- Contract characteristics—high-dollar contracts, contracts with a complex scope of work, and contracts with many deliverables require more monitoring and oversight than contracts without these characteristics.
- Contractor's past performance on similar audits.
- For financial statement audits, the auditor should comply with Section 650 *Using the Work of Others* of the GAO/PCIE *Financial Audit Manual*.
- For contracted material loss and in-depth reviews of failed banks, OA oversight staff members should use the monitoring program in the TeamMate³ library.

5.4.6 Review of Contract Requirements

Oversight staff members should review and be knowledgeable of the requirements and specific obligations of both the contractor and OIG as detailed in the contract.

5.4.7 Creation of Contracting Officer's Representative File

Throughout the term of the contract, the contracting officer's representative is responsible for maintaining a complete file record of the status and results of contract oversight in TeamMate³.

5.4.8 Conducting Post-Award Conference

Oversight staff members should consider requesting a post-award conference with the contractor to ensure that the contractor fully understands all provisions and requirements of the contract. The contracting officer chairs the post-award conference and supports the contracting officer's representative in the presentation of contract requirements. The contracting officer's representative should provide the contractor with any OIG or Treasury procedures, policies, or other information needed to perform

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the engagement. The conference agenda should include a discussion of the work specifications in the statement of work; required deliverables; and contractual provisions, such as key personnel, invoicing procedures, deliverable acceptance/rejection procedures, and technical instructions.

5.4.9 Monitoring Contractor Performance

Contractor performance monitoring activities should include the following:

- Providing the contractors with technical guidance and clarification of provisions within the statement of work
- Providing guidance on the applicability of relevant auditing, attestation, or evaluation standards
- Participating in entrance and exit conferences, status meetings, and meetings on significant audit, accounting, and administrative issues
- Participating, as deemed necessary, in inventory observations or other audit activities
- Conducting periodic site visits, if appropriate
- Reviewing contractor progress reports against contract timetables
- Reviewing audit documentation, completed assignment programs, and draft and final reports

Oversight staff members should always be conscious of possible fraudulent or abusive contractor practices, including unauthorized substitution of key personnel, false statements, and false claims, and should document and report any such activities to the contracting officer and the Office of Investigations through the Assistant Inspector General for Audit.

5.4.10 Reviewing, Testing, and Acceptance of Deliverables

Throughout the course of a contract, OA staff members should review the contractor's audit documentation and contract deliverables to determine whether they conform to contract requirements. Contract deliverables may consist of planning documents, work programs, draft and final reports, and management letters.

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Before acceptance of contract deliverables, oversight staff members must ensure that the engagement documentation and deliverables are complete, comply with all applicable standards and requirements, and conform to the applicable terms and conditions of the contract.²⁰ To avoid an implied acceptance and ensure that contractors are paid in a timely manner, the contracting officer's representative should accept or reject deliverables in a timely manner.

5.4.11 Monitoring

Contract oversight is not considered an audit and therefore the Yellow Book does not apply. However, contract oversight is subject to peer review and evidence of monitoring should be documented in the contract oversight files. Documentation of monitoring is usually in the form of sign-off on individual work papers in the contract oversight file. The nature of the review of contract oversight work may vary depending on the degree of responsibility that the auditor accepts which is based on the significance of the work or the experience of team members. Staff members assigned to monitor contractors should use their judgment in determining the timing and extent of review.

As soon as practicable, but not later than 60 days after the transmittal of the non-federal auditor's report, the audit director and audit manager should ensure that the final contract monitoring documentation is assembled and complete. If any additions are made to the audit documentation during the 60-day period, audit staff members must appropriately document and the supervisor sign-off on the reason for such additions. After the 60-day period has elapsed, (1) none of the existing audit documentation is to be deleted or discarded and (2) the contract monitoring file in TeamMate[®] should be finalized.

If the audit manager determines additional documentation is necessary to support the results of the contract monitoring after the documentation is finalized, the audit manager should consult with the audit director, cognizant Deputy Assistant Inspector General for Audit, and Assistant Inspector General for Audit to obtain approval to include additional contract monitoring documentation in the work papers. The approvals should be documented in the work papers and the contract monitoring file

²⁰ Acceptance refers to the passing of ownership of the deliverables from the contractor to OIG and is usually final, absent fraud or gross negligence.

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should be re-finalized as soon as practical after the additional documentation is included in the work papers.

5.5 Requirements for Contracting Services for Financial Audits and Attestation Engagements

Auditors engaged to perform financial audits or attestation engagements should be licensed certified public accountants or persons working for a licensed certified public accounting firm or government auditing organization. Public accountants and accounting firms meeting licensing requirements should also comply with the applicable provisions of the public accountancy law and rules of the jurisdiction(s) where the audit is being performed and the jurisdiction(s) in which the public accountants and their firms are licensed.

5.6 Requirements for Contracting Services for a Specialist

When acquiring the services of a specialist other than a non-federal auditor to work on an assignment performed by OA, the procedures in this chapter are to be followed as applicable. External and internal specialists assisting on an assignment subject to the Yellow Book should be qualified in their areas of specialization and should be able to provide documentation of their qualifications. However, external specialists are not required to meet the Yellow Book continuing professional education requirements.

5.7 Report Deliverables Prepared by a Contractor

As part of their contract, contractors are required to produce a report deliverable for OA. When receiving a report deliverable, the contracting officer's representative should ensure that

- the contractor's unsigned draft report is shared with OA for preliminary comments before its issuance to the audited entity;
- the contractor's final report is shared with OA prior to signature to ensure that comments on the draft, from both OA and the audited entity, have been addressed in an appropriate manner; and

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- the contractor issues its 508-compliant final report to OA after comments have been addressed.

OA will then issue the report with a transmittal memorandum signed by the cognizant director or Deputy Assistant Inspector General for Audit.

CHAPTER 6.0 – ATTESTATION ENGAGEMENTS

6.1 Purpose

This chapter establishes guidelines for planning, performing, documenting, and reporting on attestation engagements conducted or contracted for by OA.

6.2 Definition

Attestation engagements result in an examination, a review, or an agreed-upon procedures report on a subject matter or on an assertion about a subject matter that is the responsibility of another party. Attestation engagements can cover a broad range of financial or nonfinancial objectives and may provide different levels of assurance about the subject matter or assertion depending on users' needs.

6.3 Policy

Attestation engagements are to be performed in accordance with the Yellow Book. For attestation engagements, the Yellow Book incorporates the AICPA general standard on criteria, fieldwork and reporting standards, and related Statements on Standards for Attestation Engagements, unless specifically excluded or modified. The Yellow Book also prescribes fieldwork and reporting requirements for attestation engagements beyond those provided by AICPA. OA staff members should be knowledgeable of and competent in applying all applicable standards and requirements for attestation engagements to the task assigned.

6.4 Types of Attestation Engagements

There are three levels of attestation engagements:

- **Examination.** This level requires sufficient work for auditors to express an opinion on whether the subject matter is based on (or in conformity with) the criteria in all material respects or the assertion is presented (or fairly stated) in all material respects, based on the criteria.
- **Review.** This level requires sufficient work for auditors to express a conclusion about whether any information came to the team's attention on the basis of the work performed that indicates that the subject matter is not based on (or not in

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conformity with) the criteria or the assertion is not presented (or not fairly stated) in all material respects, based on the criteria.

- **Agreed-upon procedures.** This level consists of specific procedures performed on a subject matter.

Possible subjects of attestation engagements include the following:

- An entity's internal control over financial reporting
- Reporting on controls at a service organization
- An entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants
- The effectiveness of an entity's internal control over compliance with specified requirements, such as those governing bidding for, accounting for, and reporting on grants and contracts
- Management's discussion and analysis presentation
- Prospective financial statements or pro forma financial information
- The reliability of performance measures
- Final contract cost
- Allowability and reasonableness of proposed contract amounts

6.5 Procurement of Contracted Attestation Engagements

Policy and procedures regarding procurement, technical oversight, and monitoring of non-federal auditors for contracted attestation engagements are addressed in Chapter 5 of this manual.

6.6 Funding for Certain Attestation Engagements

Contracted attestation engagements that support financial statement audit requirements are funded as follows:

- Contracted attestation engagements for nonappropriated entities are funded directly by the entity.
- Contracted attestation engagements for appropriated entities, including attestation engagements related to Treasury's consolidated financial statements, are funded centrally by Treasury.

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OIG will provide the Department with estimates of contracted attestation engagement costs for appropriated entities for inclusion in annual budget submissions.

OIG will fund attestation engagements performed directly by OA but may request reimbursement from the audited entity for out-of-pocket costs, such as travel costs, incurred in connection with performance of the work.

6.7 Quality Control

In addition to ensuring that contracted attestation engagements adhere to the reporting requirements in [Chapter 9](#) of this manual, OA auditors should complete applicable sections of the Financial Statement Audit Completion Checklist from Section 1003 of the [GAO/PCIE Financial Audit Manual](#).

As soon as practicable, but not later than 60 days after the attestation report date, the audit director and audit manager should ensure that the final attestation is assembled and complete. If any additions are made to the attestation documentation during the 60-day period, staff members must appropriately document and the supervisor sign-off on the reason for such additions. After the 60-day period has elapsed, (1) none of the existing attestation documentation is to be deleted or discarded and (2) the attestation's TeamMate[®] file should be finalized.

If the audit manager determines additional documentation is necessary to support the results of the attestation after the documentation is finalized, the audit manager should consult with the audit director, cognizant Deputy Assistant Inspector General for Audit, and Assistant Inspector General for Audit to obtain approval to include additional attestation documentation in the work papers. The approvals should be documented in the work papers and the attestation file should be re-finalized as soon as practical after the additional documentation is included in the work papers.

6.8 Supervision

Attestation engagements are to be properly supervised in accordance with the Yellow Book. Evidence of supervision must be documented. Documentation of supervision can include, but is not limited to, the following:

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- Records of team meetings conducted during the attestation engagement including conferences with the cognizant Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit
- Supervisory sign-off on individual work papers

The nature of the review of the work may vary depending on the significance of the work or the experience of team members. Supervisors should use their judgment in determining the timing and extent of review.

Although supervisory authority rests with the manager, review tasks can be performed by both senior auditors and staff auditors, depending on the makeup of the attestation engagement team and the nature of the work performed. For example, managers can assign supervisory review responsibility for individual work papers to the auditor-in-charge. Staff auditors can also contribute to the review process by reviewing each other's work before submitted to the manager or auditor-in-charge.

Managers are responsible for reviewing and signing-off on individual work papers prepared by the auditor-in-charge and all summary review memoranda and for reviewing other work papers to the extent necessary to ensure the sufficiency and appropriateness of the attestation evidence obtained. Similarly, directors are responsible for reviewing and signing work papers prepared by a manager, and reviewing other work papers, to the extent necessary to ensure the sufficiency and appropriateness of the attestation evidence obtained. It is anticipated that the director's review may be as extensive as deemed necessary and appropriate in the circumstances.

Reviewers should prepare review (coaching) notes on items in attestation documentation that need to be addressed. The staff member who prepared the work paper is responsible for answering all review notes in an appropriate manner. The preparer of the review note should clear the note only when he or she is satisfied that the content of the note has been adequately addressed. Review notes are to be retained as part of the attestation documentation until the documentation is finalized at which time the review notes are to be deleted (for documentation maintained in TeamMate[®]) or removed and destroyed (for documentation maintained outside of TeamMate[®]). The director is responsible for ensuring the finalization of the attestation documentation and removal of review notes.

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To ensure that attestation objectives are addressed in a timely and appropriate manner, supervisors should continuously monitor progress and review documentation at intervals commensurate with the experience of assigned staff members, complexity of the attestation engagement, and timeframes necessary to meet any statutory or other pre-established reporting deadlines. Work that is complex or that has been performed by an inexperienced staff member will require more frequent review than other work.

CHAPTER 7.0 – PERFORMANCE AUDITS

7.1 Purpose

This chapter identifies OA policy and guidance related to performance audits conducted according to the Yellow Book. Performance auditing is used to objectively obtain and evaluate evidence to determine how well Treasury programs are achieving their goals and mission objectives.

Although this chapter highlights, for emphasis, certain aspects of government performance audit standards, it does not repeat all applicable Yellow Book requirements and guidance. Accordingly, OA auditors conducting performance audits should refer to the Yellow Book as necessary to ensure that their work conforms with applicable standards.

7.2 Policy

OA policy requires that all performance audits be conducted in accordance with Yellow Book. Chapter 6 of the Yellow Book addresses fieldwork standards, including standards for planning the audit; supervising staff members; obtaining sufficient, appropriate evidence; and preparing and maintaining audit documentation. Chapter 7 of the Yellow Book addresses reporting standards for performance audits.

7.2.1 Yellow Book General Standards for Performance Audits

Performance audit work should be conducted in a manner consistent with the Yellow Book as it relates to independence, professional judgment, competence, quality control, and assurance. Chapter 3 of this manual provides OA staff members with guidance for meeting Yellow Book general standards.

7.3 Planning-Phase Considerations

During the planning phase, the audit team should assess audit risk and significance by gaining an understanding of the following:

- The nature and profile of the programs and the needs of potential users of the audit report

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- Internal control as it relates to the specific objectives and scope of the audit
- Information systems controls
- Legal and regulatory requirements, contract provisions or grant agreements, and potential fraud or abuse
- Results of previous audits, attestation engagements, and other studies that relate to the current audit objectives (i.e., including those performed by the audited entity (including contractors), OA, and other audit organizations).

During planning, auditors should also do the following:

- Inquire of management of the audited entity to identify previous audits, attestation engagements, and other studies that directly relate to the current audit objectives, including whether related recommendations have been implemented
- Identify the potential criteria needed to evaluate matters subject to audit, and, as necessary, inquire of management to identify all relevant criteria
- Identify sources of audit evidence and determine the amount and type of evidence needed given audit risk and significance
- Evaluate whether to use the work of other auditors and experts to address some of the audit objectives
- Assign sufficient staff members and specialists with adequate collective professional competence and identify other resources needed to perform the audit
- Communicate about planning and performance of the audit to management officials, those charged with governance, and others as applicable
- Prepare a written audit program (including an estimate of total staffing hours needed and the timeline for completing the fieldwork and reporting phases of the audit)

Chapter 6 of the Yellow Book contains specific planning considerations on performance audits, and teams should consult those planning considerations during the planning phase of their audits. (These considerations are included as standard procedures in TeamMate®.)

As part of their planning and if significant to the audit objectives, audit teams should evaluate whether the audited entity's management has implemented measures to prevent, deter, and detect fraud. Audit team members should discuss among the team fraud risks, including factors such as individuals' incentives or pressures to commit

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fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could allow individuals to commit fraud. The team should gather and assess information to identify risks of fraud that are significant within the scope of the audit objectives or that could affect the findings and conclusions. The results of the discussion are to be included in the audit documentation. In assessing fraud risks, audit teams may consider meeting with key management officials to discuss susceptibilities to fraud in the programs to be audited. These meetings can also help audit teams determine whether management is aware of any situations indicative of possible fraud.²¹

Supervisory review, including review of all planning documentation, should occur throughout the planning phase. The planning phase is complete when the Assistant Inspector General for Audit approves either moving the audit forward into the fieldwork phase or terminating the audit at the planning phase.

7.3.1 Audit Engagement Memorandum

Before beginning an audit, audit teams should prepare an engagement memorandum for the Assistant Inspector General for Audit's signature to the head of each affected Treasury office or bureau. The audit liaison official for the office or bureau should be copied on the memorandum. Issuance of the engagement memorandum should be timed to facilitate effective use of OA resources.

An engagement memorandum should include the following information:

- The audit title as the memorandum subject (the words "Engagement Memorandum" should precede the audit title on the subject line)
- The overall audit objective or objectives
- The reason for selection of the audit subject (e.g., a legal mandate, an item in the OIG Annual Plan, a congressional request)
- If applicable, a statement as to whether the audit is part of a Treasury-wide assessment

²¹ For additional guidance, refer to Yellow Book paragraphs 6.31 to 6.34 and the American Institute of Certified Public Accountants' Auditing Standards AU Section 316, Consideration of Fraud in a Financial Statement Audit. Although this statement relates to financial audits, the concepts and guidance it contains are also useful in assessing fraud risk during the planning phase of a performance audit.

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- The month and year during which fieldwork is planned to begin
- A statement that staff members will be contacting the office or bureau to arrange the entrance conference
- A closing paragraph that contains the Assistant Inspector General for Audit's general phone number and the principal point of contact (usually the audit director) and his or her direct-dial number

As appropriate, the audit team's initial data request may be included as an attachment to the engagement memorandum.

Once the Assistant Inspector General for Audit has signed the engagement memorandum, the audit director or audit manager should forward an electronic copy to the audit liaison official of the office or bureau and promptly contact that official to set up the entrance conference and discuss the initial data request.

7.3.2 Entrance Conference

For all performance audits, an entrance conference should be conducted with the appropriate management officials of the relevant office or bureau. Absent unusual circumstances, the Assistant Inspector General for Audit or the cognizant Deputy Assistant Inspector General for Audit, or both, should attend all entrance conferences. Audit teams must prepare and distribute an agenda for all entrance conferences. The agenda should include the following information:

- Overall audit objective
- Relevant background (e.g., reason for the audit)
- A general description of audit scope and methodology to the extent known
- Anticipated milestone dates, to the extent known
- OA staff members assigned to the audit, and their contact information (phone numbers and email addresses)

The agenda should be no longer than one to two pages. If it was not submitted with the engagement memorandum, the initial data request should be attached to the agenda.

During the conference, management officials should be encouraged to identify any problem areas, concerns, and ideas they may have regarding the audit. Audit teams should also establish a protocol at the entrance conference or separately with the audit

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liaison official for providing management with regular updates on the status and results of the audit work. Teams should consider scheduling update meetings at fixed intervals (e.g., weekly, biweekly, monthly) appropriate to the audit.

7.3.3 Establishing Audit Objectives

As part of the planning process, OA staff members should define audit objectives for all OA performance audits. Audit objectives identify the subjects and performance aspects to be audited, as well as the potential finding and reporting elements that the auditors expect to develop based on planning.

OA audit work is to focus on objectives throughout the course of the audit, from planning through reporting. This focus allows more effective use of OA resources and helps ensure objectivity and perspective in reporting.

A sustained focus on objectives requires that auditors

- establish overall audit objectives;
- establish specific subobjectives, as necessary;
- communicate audit objectives to the audited entity's management;
- refine objectives during the planning phase and, as appropriate, during the fieldwork phase; and
- structure individual audits steps and procedures to address the audit objectives

OA audits may encompass a wide variety of objectives, including the following:

- Program effectiveness and results. This type of objective addresses program effectiveness and typically measures the extent to which a program is achieving its goals and objectives.
- Economy and efficiency. This type of objective addresses whether an entity is acquiring, protecting, and using its resources most productively to achieve program objectives.
- Internal control. This type of objective relates to the plans, methods, and procedures an entity's management uses to meet its mission, goals, and objectives.
- Compliance. This type of objective relates to compliance criteria established by laws, regulations, contract provisions, grant agreements, and other requirements

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that could affect the acquisition, protection, and use of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance objectives also concern the purpose of the program, the manner in which it is to be conducted and services are to be delivered, and the population it serves.

Other types of objectives encompass audits with a prospective focus or that seek to provide guidance or best practice information on issues already studied or under study.

7.3.4 Audit Program

An audit program should be prepared for each audit assignment.²² The program should include the specific procedures to be performed. Supervisory involvement is crucial to ensure that the program appropriately reflects the objectives, scope, and methodology of the audit and that the resources assigned are commensurate with the scope of the work to be performed. The auditor-in-charge, audit manager, and audit director must be active participants in drafting the audit program and are responsible for approving it during the planning phase of the audit. After consultation and approval with the cognizant Deputy Assistant Inspector General for Audit, the audit program becomes a historical document to be included in the audit documentation.

Significant changes to the objectives, scope, and procedures in the audit program must be approved by the audit director after consultation with the cognizant Deputy Assistant Inspector General for Audit. Major decisions about the audit, including direction provided by the Assistant Inspector General for Audit and the Deputy Assistant Inspector General for Audit, changes to the audit program, and their effect on the time estimate and timeline for completing the work, are to be documented.

7.3.5 Sampling Considerations

For all performance audits, audit teams should consider whether statistical sampling is needed to obtain sufficient, appropriate evidence to address audit objectives. Statistical

²² For audits where a standard audit program is used, a permanent file or a memorandum should be created to document how the audit program was created. The file or memorandum should address the development of the audit objectives, scope, and audit procedures.

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expertise must be obtained either from qualified personnel in OA or from outside experts.

Use of statistical sampling in performance audits requires the following:

- Before the sample is selected, the audit team should ensure that appropriate tests are performed to determine the completeness of the universe from which the sample is to be selected. If at any time an audit team has concerns about the completeness of the sample universe, it should discuss these concerns immediately with supervisors and the statistical expert. An inability to determine the completeness of a universe of transactions may indicate a serious deficiency in the audited entity's internal control that should be pursued during the audit.
- When carrying out the sampling plan, an audit team should discuss with the statistical expert any instances in which the team is unable to execute the plan. The audit team must not deviate from the sampling plan before such consultation.
- The audit documentation and report should contain clear descriptions of the universe from which the sample was selected, the sample selection methodology, and the sample results (projections).

When using nonstatistical sampling methods as part of their audit methodology, audit teams should conduct appropriate tests to ensure the completeness of the universe to be tested. In no instance should an audit team project the results of a nonstatistical sample to the universe of items sampled. The audit team should document in the work papers how they selected the nonstatistical sample, things like the selection criteria applied and why the criteria was considered appropriate.

All statistical sampling results and projections on audits should be reviewed by a statistical sampling specialist. Evidence of the specialist's review and approval of results and projections is to be maintained in the audit documentation.

7.3.6 Establishing and Tracking Audit Resource Requirements

A critical part of audit planning is establishment of resource requirements for completing the audit. It is OA policy for audit teams to track budgeted and actual hours spent on each audit from the start of work through completion, establish an estimated timeline for completing the various audit phases, and track audit progress

against the timeline so that supervisors can monitor for any skippages and take timely corrective action. Accounting for time spent on an audit also provides a historical record that can help other auditors plan future audits and validate resource assumptions used in the annual audit planning process.

The OIG Annual Plan Job Assignments spreadsheet includes a preliminary estimate of total hours needed for each planned assignment. The purpose of this estimate is to determine the number of projects that OA can undertake during the fiscal year with available resources. One purpose of the audit planning phase is to refine such estimates based on a more informed assessment of the work to be performed. The budget developed during the planning process is to include estimated hours for

- general administration (monthly status reports, travel, and other administrative tasks directly related to the audit);
- planning (including preparation of the audit program);
- fieldwork;
- reporting (discussion draft, formal draft, final report, referencing, and exit conference); and
- supervision (audit manager's and audit director's time).

At the end of the planning phase, the audit team should develop a timeline for completing the fieldwork and reporting phases.

Audit teams should prepare monthly status reports on all audits.²⁴ Among other things, it provides for tracking planned and actual milestones and hours. Audit managers are responsible for ensuring that monthly status reports are complete, accurate, and timely, and should use the monthly reporting processes as a tool to analyze the progress and results to date of the audit. Audit directors should review the monthly status reports to ensure that the audits are progressing satisfactorily and the timely resolution of issues disclosed in the reports are addressed.

²⁴ Currently, monthly status reports are due to the Director by the 15th of each month.

7.9 Sufficient and Appropriate Evidence

A key issue for audit teams to consider during the fieldwork phase of performance audits is the sufficiency and appropriateness of evidence. For all audits performed by OA, audit teams must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions in conformity with the Yellow Book. If the team believes that it is likely that sufficient, appropriate evidence will not be available, they should revise their audit objectives or modify the scope and methodology of the audit, and determine alternative procedures to obtain additional evidence or other forms of evidence to address the current audit objectives. Teams should also evaluate whether the lack of sufficient, appropriate evidence is due to internal control deficiencies or other program weaknesses, and whether the lack of sufficient, appropriate evidence could be the basis for audit findings.

Audit teams should also assess both the overall appropriateness and sufficiency of evidence to determine whether evidence is relevant, valid, and reliable and whether enough evidence was obtained to persuade a knowledgeable person that the findings are reasonable.²⁴ The audit team is required to follow the guidance in the Yellow Book to document the overall assessment of the work performed to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence.

7.4.1 Types of Evidence

There are three general types of evidence that auditors may use in evaluating the appropriateness and sufficiency of evidence in supporting audit objectives.

- physical evidence (obtained through direct, physical examination, observation, computation, or inspection is generally more reliable than evidence obtained indirectly);
- documentary evidence (obtained through examination of original documents is generally more reliable than examination of copies); and

²⁴The concept of appropriateness and sufficiency is described in Chapter 6, sections 6.57 of the Yellow Book. The concepts of relevance, validity, and reliability are described in Chapter 6, sections 6.57.

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- Assessmental evidence (obtained under conditions in which persons may speak freely) is generally more reliable than evidence obtained under circumstances in which the persons may be intimidated).

7.3.2 Developing Elements of a Finding

Audit teams should plan and perform procedures to develop the elements of a finding necessary to address the audit objectives. In addition, if an audit team is able to sufficiently develop the elements of a finding, they should develop recommendations for corrective action if they are significant within the context of the audit objectives. The elements needed for a finding are related to the objectives of the audit.

A finding is comprised of the following elements:

- Criteria
- Condition
- Cause
- Effect or potential effect

Audit teams should identify criteria. Criteria should include the laws, regulations, contracts, grant agreements, standards, specific requirements, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the report. Auditors should use criteria that are relevant to the audit objectives and permit consistent assessment of the subject matter. As a matter of emphasis, the appropriate criteria be identified early in the audit before detailed tests are performed.

The condition is a situation that exists. The condition is determined and documented during the audit.

The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions.

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The effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria).

7.3.3 Other Fieldwork Phase Considerations

Other key issues for audit teams to consider during the fieldwork phase of performance audits include the reliability of computer-processed data, discontinuation of an audit, removal of an audit finding, and quality control.

7.4.1 Evaluating the Reliability of Computer-Processed Data

When computer-processed data are significant to an audit finding, auditors should obtain sufficient, appropriate evidence that this data are valid, reliable, complete, and accurate for its intended purpose. The audit team is required to follow the guidance in the Yellow Book and to document the work performed. GAO's *Assessing the Reliability of Computer-Processed Data* provides audit steps to be considered for reviewing computer systems and application controls and for testing computer-generated data.²⁸

7.4.5 Discontinued Audit Effort

Audits may sometimes be discontinued. In such cases, the audit team must record the audit results to date and the reason for terminating the audit in the audit documentation. The audit director should consult with the cognizant Deputy Assistant Inspector General for Audit and the Assistant Inspector General for Audit about communicating the audit termination with external parties. Usually, notification to the auditee will be by memorandum signed by the Assistant Inspector General for Audit. Any such communication should be included in the audit documentation.

7.4.6 Removal of an Audit Finding

The decision to remove a finding requires discussion with and concurrence by the directorate's cognizant Deputy Assistant Inspector General for Audit. Also, if a finding

²⁸ GAO, *Assessing the Reliability of Computer-Processed Data*, GAO-09-830G (July 2009).

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is removed or modified before the final report is issued the reason must be included in the audit documentation.

7.4.2 Quality Control During the Fieldwork Phase

Two important quality control tools used in OA performance audits are the Checklist for Performance Audits and supervision.

The purpose of the Checklist for Performance Audits, which must be completed for all performance audits, is to ensure that audits are conducted in accordance with Yellow Book standards. The auditor-in-charge usually completes the checklist which must be reviewed and signed by the audit manager and audit director. Since this checklist is incorporated in the procedure steps of the TeamMate® performance library and should be approved during the review process, a separate document does not need to be completed and signed off. A hardcopy of the Checklist for Performance Audits is available for performance audits conducted outside of TeamMate®.

As discussed later in this chapter, adequate supervision is to be exercised by the auditor-in-charge, audit manager, and audit director, and executive levels. Documentation of supervision includes the following:

- Formal approval of the audit program by the audit director
- Approved changes made to the guide during the course of the audit by the audit director
- Review of individual work papers in the audit documentation and of reports prepared by the audit team
- Records of team meetings with the cognizant Deputy Assistant Inspector General for Audit and the Assistant Inspector General for Audit

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7.5 Reporting Phase Considerations

On all OA performance audits, audit teams must follow the reporting standards and consider the related guidance in Chapter 7 of the Yellow Book. The reporting phase of the audit generally consists of the following:

- Preparing and issuing a discussion draft report to the audited entity. The discussion draft should communicate, in the OA audit report format, the results of the audit, including findings and recommendations. As a quality control, the audit team must cross-reference the discussion draft report to the supporting work papers. While it is preferable that the report clear the referencing process before the discussion draft is issued to the audited entity, this may not always be feasible if the audit involves mandated timeframes or other unique circumstances.
- Holding an audit exit conference. It is a venue for the audited entity to provide informal comments on the content and tone of the draft and allows OA to consider these comments and, as appropriate, resolve disagreements before the formal draft report is issued to the audited entity for official management response.²⁴
- Preparing and issuing a formal draft report for official management response. The formal draft report should be referenced before it is issued to the audited entity.
- Preparing and issuing a final report. The final report should be referenced before it is issued.

OA audit reports should follow a standard format. The following appendices contain the templates and additional guidance for the audit report:

- [Office of Inspector General Audit Report Format Overview](#)

²⁴ As matters of a factual nature should be resolved with the auditee and if the auditee provides sufficient evidence that a matter in the draft report is in error, the audit team should change the report as appropriate. However, if it is not intended that resolution means that the audit team will change a conclusion, opinion, or recommendation because of an auditee objection if the team believes the conclusion, opinion, or recommendation is valid and appropriate, in other words, the OIG may agree to disagree with the auditee after considering its comments and evaluating the evidence.

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- Report Cover Template
- Draft Report Template With Instructions and Blank Appendices

Before the final report is signed, the audit director should ensure that:

- all findings, conclusions, and recommendations are supported by sufficient, appropriate evidence;
- the tone of the report is appropriate to the circumstances;
- recommendations are practical and appropriate;
- audit comments are presented fairly and evaluated appropriately;
- the Checklist for Performance Audits steps were completed in TeamMate®;
- if the audit is performed outside of TeamMate® the Checklist for Performance Audits is prepared;
- the appropriate generally accepted government auditing standards statement is included in the report; and
- the report has been referenced by an experienced auditor independent of the directorate that performed the work and proposed the report, and all referencing points have been appropriately resolved.

7.5.1 Performance Audit Report Signatory Authority

Signatory authority for OA performance audit reports depends on the addressee. Generally, such authority is as follows:

Addressee	Authority
Secretary, Deputy Secretary, Congress Outside Agency Heads (Presidential Appointees)	Inspector General
Treasury Under Secretaries, Outside Agency Heads (Except Presidential Appointees)	Assistant Inspector General for Audit or Deputy Assistant Inspector General for Audit
Assistant Secretaries, Bureau Heads, Other Treasury/Bureau Officials	Director of Audit

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7.5.2 Report Conference

At completion of the fieldwork phase and before drafting the report, the audit team should generally schedule and hold a report conference with senior OA management. If the audit team does not hold the report conference, the team should document in the audit work papers, the reasons, circumstances, and impact to the audit for deviating from this policy.

Report conference participants must include the Assistant Inspector General for Audit, the cognizant Deputy Assistant Inspector General for Audit, the audit team director, as well as the audit manager and auditor-in-charge for the engagement. (Other team members may attend, as appropriate.)

The purpose of the report conference is to ensure that the audit team and senior OA management agree on the overall audit message, findings, elements, and audit recommendations; that the audit team has adequately addressed the audit objectives; and that any need for additional fieldwork is identified.

The audit manager in consultation with the audit director should schedule the report conference to ensure that it is held at the appropriate juncture – at or near completion of fieldwork and prior to preparation of a draft report – and includes participation by senior OA management—the Assistant Inspector General for Audit and cognizant Deputy Assistant Inspector General for Audit. If either the Assistant Inspector General for Audit or the Deputy Assistant Inspector General for Audit is unable to attend a previously scheduled report conference, the report conference may either proceed or be rescheduled. If, however, both the Assistant Inspector General for Audit and the Deputy Assistant Inspector General for Audit are unable to attend, the conference cannot proceed, and the audit manager should reschedule the meeting to ensure that one or both participate in the meeting.

Before the conference, the audit team is to prepare an outline of the report containing tentative findings and recommendations. The team should also be able to answer the following questions:

- What is the primary message of the report?
- Does the evidence collected support the results? (As necessary, the audit team should identify the relevant criteria and sampling methodology.)
- Were there any limitations with the evidence collected?

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- Based on the audit results, what should OA recommend?
- Do the proposed recommendations flow logically from the information presented?
- Will monetary benefits be realized?
- What discussions have occurred with the auditee with respect to the audit findings and recommendations, and what was the reaction?
- How should the report be structured (the standard report format or some other format)?
- What date is scheduled for producing a completed discussion draft for review by OA management?
- What resources does the team need to complete the report on time?

The team must prepare minutes of the report conference and include these minutes in the audit documentation.

7.0.3 Exit Conference

An exit conference with the audited entity's management should generally be held in performance audits. The Assistant Inspector General for Audit and/or the cognizant Deputy Assistant Inspector General for Audit should attend the exit conference. If an exit conference is not held or the Assistant Inspector General for Audit and/or the Deputy Assistant Inspector for Audit do not attend the conference, the audit team should document in the audit work papers, the reasons, circumstances, and impact to the audit for deviating from this policy.

The conference should normally be scheduled after the audited entity has had sufficient time to review the discussion draft report. The audit team should notify the Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit of any unreasonable delays by the audited entity in scheduling the exit conference.

Comments by the audited entity's management during the exit conference concerning tone or of an editorial nature should be taken into consideration, as appropriate, in preparing the formal draft report. Disagreements raised by the audited entity's management with the factual content or the applicability of criteria must be resolved before the formal draft is issued.

The audit team should include a record of the exit conference in the audit documentation.

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7.0.4 Reporting Suspected Illegal Acts, Fraud, or Abuse

The audit team should promptly inform the Assistant Inspector General for Audit, through the supervisory chain, of any suspected instances of illegal acts, fraud, or abuse and prepare a memorandum for the Assistant Inspector General for Audit's signature to refer these matters to the Assistant Inspector General for Investigation. Before issuing a Notification of Finding and Recommendation (NFR), discussion draft report, formal draft report, or final report that discusses suspected illegal acts, fraud, or abuse, the audit director must vet the report with the OIG Office of Investigations and the Council to the Inspector General and document the results of these consultations.

7.0.5 Communications During Audits

Auditors should communicate information about OA audits to parties affected by the work in a timely and appropriate manner. These parties may include, but are not limited to, senior OA management, officials of the audited program or operation, senior-level Treasury officials, officials of other audit organizations, officials with OMB, and members and staff of congressional oversight committees. OA auditors should use their professional judgment to determine the form (written or oral), content, and frequency of communication. Auditors should also maintain a record of all communications in the audit documentation.

While audit teams should report deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse through the supervisory chain, for some matters, audit teams should also consider early communication to those charged with governance or management because of the deficiency's relative significance and the urgency for corrective follow-up action. Further, when a control deficiency results in noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, early communication is important to allow management to take prompt corrective action to prevent further noncompliance. The use of an NFR as the method to provide management with this information is encouraged, refer to [Section 7.6.4](#) for more information on the use of NFRs.

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If an audit does not result in a report, auditors should prepare a memorandum for the audit documentation that summarizes the results of the work and explains why a report was not issued or the audit was terminated. If the audit is terminated before it is completed, auditors should communicate the reason for terminating it to management of the audited entity and, as appropriate, the entity requesting the audit and other appropriate officials, preferably in writing. A record of this communication should be included in the audit documentation.

7.6.1 Communication With Other Office of Inspector General

If audit objectives require that work be performed at the IRS, Office of Financial Stability, or another federal agency, the audit team is to coordinate first with either the Treasury Inspector General for Tax Administration (for the IRS), the Special Inspector General for the Troubled Asset Relief Program (for the Office of Financial Stability if involving the Troubled Asset Relief Program), or the OIG of the other federal agency before contacting program officials of these entities. The Assistant Inspector General for Audit, through the supervisory chain, should be alerted that such contacts are planned. In addition to being a matter of courtesy, the purpose of such coordination is to ensure that the audit team engages with the appropriate officials of the other agency and to avoid duplication of effort.

7.6.2 Communication With Senior OA Management

The audit team should hold conferences with their cognizant Deputy Assistant Inspector General for Audit and the Assistant Inspector General for Audit at certain key points of the audit. Such conferences are generally to be held at the end of the planning phase and at the end of the fieldwork phase (the report conference, described earlier in this chapter). The conference held at the end of the planning phase should normally result in a decision to go forward with or terminate the audit. The team should prepare talking points for the conference that provide sufficient information for OA management to make an informed decision.

When necessary, the audit team should request conferences with the Deputy Assistant Inspector General for Audit and/or Assistant Inspector General for Audit at other points, such as when the team has (1) been denied access to records or to a Treasury employee, (2) identified a need to significantly expand the audit, (3) identified potential

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fraud, or (4) uncovered a matter that is particularly sensitive or warrants the immediate attention of the Inspector General or senior Treasury officials. It is not possible to anticipate all situations that need to be communicated to senior audit management; therefore, teams must exercise professional judgment in determining when communications are necessary.

While this should not be considered an exhaustive list, following are situations that may be encountered during an audit that should be brought to the immediate attention of the supervisor and relayed through the management chain to the Inspector General as appropriate.

- An auditee's refusal to provide requested documents or access to employees for interview.
- Undue delays by the auditee to provide records or access to employees for interview.
- Participation by others, such as agency counsel, in employee interviews.

An appropriate course of action will be determined in these situations.

Additionally, before the audit entrance and exit conferences, the audit team should brief the cognizant Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit on what will be communicated during the conference and the expected reaction of the audited entity. The team should submit proposed conference agendas and handouts to the Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit in advance of the briefings.

7.6.3 Periodic Status Briefings With the Audited Entity

The auditor-in-charge and the audit manager should ensure that audited entities are briefed on the progress of the audit and findings being developed throughout the audit. The briefings should occur in accordance with the agreed-upon protocol established at the entrance conference or with the audit liaison official. The briefings should generally cover

- the audit's progress, including any significant revisions to milestone dates;
- any delays in obtaining requested information or other problems encountered in the audit; and

- any conditions that the auditors deem to be potential audit findings.

To plan for and facilitate these meetings, the audit team should develop an agenda that identifies the key points to be discussed.

As part of monitoring the audit and reviewing audit documentation, the auditor-in-charge and the audit manager need to be alert for issues that should be immediately brought to the attention of the audited entity.

A record of status meetings held with the audited entity, including agendas and any other handouts, should be included in the audit documentation.

7.5.3 Using an NFR

Audit teams should consider preparing an NFR for each condition (deficiency) identified during the audit. Doing so can help ensure that all elements of a finding are developed and can facilitate communication of findings to the audited entity, and agreement on them, before the report is drafted. Based on feedback from the audited entity, instances in which additional fieldwork is needed to develop the tentative finding may be identified sooner. An NFR should normally include the following information:

- Objective of the audit work (why it was undertaken and what the audit team is trying to accomplish)
- Attributes of the finding (criteria, condition, cause, effect, and recommendation)
- Audited personnel (names and titles) with whom the finding was discussed
- Comments by audited personnel with whom the finding was discussed

When an audit objective calls for sampling transactions, the audit team should also consider preparing and communicating a separate NFR for each sampled transaction for which an exception is found.²⁷ Such a practice may avoid disagreements at the reporting stage about individual sampled transaction items and allow the audited entity to provide additional documentation, explanations, or other information while fieldwork is under way. Reaching agreement early on sample results is particularly important when the audit team plans to project the results to a larger population.

²⁷ It may not be necessary for an NFR related to a sampled transaction to identify the cause, effect, or a recommendation for the identified exception before communicating the matter to the audited entity.

The NFR should be prepared by the auditor performing the work and reviewed by the auditor-in-charge and audit manager before it is provided to the audited entity. If the audit team identifies no deficiencies for a particular objective, that information can also be documented as an NFR. The auditor-in-charge should maintain a control schedule for all NFRs issued in the audit documentation. For each NFR, the schedule should provide (1) a sequential control number; (2) a brief description of the subject matter; (3) the date communicated to the audited entity; (4) the date of response; (5) whether the audited entity agreed or disagreed; and (6) if the entity disagreed, a description of how the matter was resolved.

7.7 Audit Documentation

For all audits performed by OIA, audit teams must prepare and maintain audit documentation in conformity with the Yellow Book. In general, the documentation should contain sufficient information to enable an experienced auditor with no previous connection with the audit to ascertain the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations and evidence of supervisory review before the report's issuance.

With the exception of documentation for audits involving classified information, audit teams should maintain audit documentation in TeamMate®.²⁸ In some cases, audit documentation may also include bulk paper files and data stored on compact disks, tapes, diskettes, films, or other media. Documentation maintained outside of TeamMate® is to be labeled with the project title and number, cross-referenced to the relevant steps in TeamMate®, reviewed by supervisors, and secured, stored, and disposed in accordance with OIG's records schedule.

²⁸ Documentation for audits involving classified information is to be maintained in paper form. Other exceptions to the use of TeamMate® must be approved by the Assistant Inspector General for Audit.

7.7.1 Preparing Audit Documentation

Responsibility for documenting audits is shared by all team members assigned to an audit. Audit teams should observe the following principles when preparing audit documentation:

- Procedures followed by the auditor, including the analysis and interpretation of audit data, should be documented.
- Meetings on paper and other records maintained outside of TeamMate® should be legible and neat.
- Information in audit documentation should be clear, complete, and restricted to matters that are materially important and relevant to the objectives of the assignment.
- Audit documentation should be well-organized and flow logically so that if another independent QA staff member were to assume responsibility for the audit, he or she would be able to understand the work that has been completed and carry the audit to conclusion.
- Each work paper in the audit documentation should be completed as if it were a stand-alone document. Work papers should normally contain a purpose, source, scope/methodology, result, and conclusion. Records of meetings and interviews may not contain all these elements but should identify participants (names, title, organization, and contact information), date, location, and significant points discussed. For documents obtained during the audit, the auditor must identify the source of the information (if obtained from a person, the source should include the provider's name, title, and organization) and the date obtained. The auditor should record this information upon receipt of the document.
- Audit documentation should follow a standard format that facilitates review by supervisors and referencers.

As soon as practicable, but not later than 60 days after the audit report date, the audit director and audit manager should ensure that the final audit documentation is assembled and complete. If any additions are made to the audit documentation during the 60-day period, audit staff members must appropriately document and the supervisor sign off on the reason for such additions. After the 60-day period has elapsed, (1) none of the existing audit documentation is to be deleted or discarded and (2) the audit's TeamMate® file should be finalized.



If the audit manager determines additional documentation is necessary to support the results of the audit after the documentation is finalized, the audit manager should consult with the audit director, cognizant Deputy Assistant Inspector General for Audit, and Assistant Inspector General for Audit to obtain approval to include additional audit documentation in the work papers. The approvals should be documented in the work papers and the audit file should be re-finalized as soon as practical after the additional documentation is included in the work papers.

7.7.2 Audit Documentation Contents

Audit documentation files (either in TeamMate® or on paper) should be established for each active audit and should contain the individual work papers developed during that audit. Standard elements in audit documentation for all audits should include, but are not limited to, the following items:

- Documentation of the audit genesis (e.g., write-up from the OIG annual plan, legislative mandate, congressional request)
- Administrative documents (e.g., monthly audit status reports)
- Copy of the engagement memorandum
- Review of the audit team members' compliance with continuing professional education requirements (note – it is not intended that copies of continuing professional education records will be included in the audit documentation)
- Approved audit program and approved changes to the audit program
- Minutes of the team meeting with senior QA management at the end of the planning phase, including date and time of meeting, a list of meeting participants, all significant meeting results and outcomes
- Records of the entrance and exit conferences (note – if an exit conference is not held, the audit team should document in the audit work papers the reasons, circumstances, and impact to the audit for not holding the meeting)
- NFRs, if used, and the related control schedule
- Summary review memoranda for each objective (described below)
- Minutes of the report conference meeting with QA senior management held at the end of the fieldwork phase, including date and time of meeting, a list of meeting participants, and all significant meeting results and outcomes
- Copy of the indexed discussion draft report, and if referencing is done before issuance the copy retained is the indexed and referenced discussion draft
- Copy of the issued discussion draft report

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- + Copy of the indexed and referenced formal draft report
- + Copy of the issued formal draft report
- + Management's response to the formal draft report
- + Copy of the indexed and referenced final report
- + Copy of the issued final report
- + Checklist for Performance Audits (incorporated in procedure steps in the TeamMate® performance library)
- + Referrals of potential fraud or irregularities to the Office of Investigations

The audit team should prepare a summary review memorandum for each audit objective. The memorandum should describe, at a high level, the objective, scope, methodology followed to address the objective, and results of the work performed. It should be indexed to the supporting work papers and provide sufficiently detailed information to serve as a link between the audit report and the work papers supporting the report's findings, conclusions, and recommendations. The audit manager and audit director should review and sign off on the memorandum.

7.7.3 Indexing and Cross-Referencing

Teams are to establish an indexing system for their audit documentation that logically groups interrelated work papers. Establishing a sound indexing system will facilitate the audit team's analysis, interpretation, and summarization of audit results. TeamMate® does this work for the team. It assigns audit reference codes to work papers, with the exception of procedure steps. Assigned staff members should ensure that an index is included in the name of each procedure step.

Cross-referencing is a notation of one place in the work papers that refers to information elsewhere in the work papers. At a minimum, supporting work papers should be cross-referenced to the audit procedural steps (summary work papers), findings (findings are referred to as exceptions in TeamMate®, or NFRs), and the audit report.

7.7.4 Safeguarding Audit Documentation

The audit team should exercise reasonable care in safeguarding audit documentation (both electronic and hard copy). When work papers (electronic or hard copy) contain

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confidential information about audited operations, all OA staff members are to comply with federal and Treasury guidelines and regulations relating to safeguarding unclassified and classified work papers and other products. Chapter 10 of this manual provides information on safeguarding work deemed classified or sensitive but unclassified.

7.7.5 Special Security Measures for Sensitive Work Papers in Audit Documentation

Special security measures should be used for storing and safeguarding information covered by the Privacy Act of 1974¹⁹ and other particularly sensitive material. Such material includes proprietary data, personnel information, plans for future operations (such as planned procurement actions), and information obtained to support fraud investigations or special congressional requests.

Audit documentation containing sensitive information not in TeamMate® should be maintained in separate files. These files should be secured after normal working hours and when unattended during the day. They should be appropriately labeled on the front cover as a constant reminder of the need for special security measures. For example, audits involving information that may not be releasable under the Freedom of Information Act should include a bright red label that reads as follows:

WARNING – CAUTION REQUIRED
This file contains information that may be not be releasable under 48 CFR Part 5 (FOIA).
Special safeguarding measures should be followed at all times.

7.7.6 Retention

For performance audits, OA staff members should follow the retention requirements specified in Chapter 14 of this manual.

¹⁹ Pub. L. No. 93-578, 88 Stat. 1 (97, Dec. 31, 1974).

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7.3.7 Access to Audit Documentation

Audit documentation supporting an OA audit report is the property of OA. Audit witnesses should ensure that only individuals with a justified need to know have access to audit documentation. For example, it may be necessary to make copies of individual work papers available to audited entities or Treasury officials for them to respond to findings or take corrective actions. The audit director, in consultation with the cognizant Deputy Assistant Inspector General for Audit, should decide when such action is prudent and necessary.

7.8 Supervision

All OA audits must be properly supervised to ensure that the audit objectives are accomplished and that the audit work conforms to the Yellow Book.

7.8.1 Supervisory Responsibilities

Supervisory review of audit work should be timely and thorough to help ensure that the following occurs:

- The audit team establishes appropriate audit objectives at the start of the audit and adjusts them, when appropriate, as the audit progresses.
- The audit objectives are accomplished.
- The audit program is sufficiently comprehensive to address the audit objectives.
- The audit program is followed and any changes to it are approved.
- The assignment is appropriately staffed.
- Work assignments are commensurate with the abilities of staff members.
- Team members clearly understand their assigned tasks and are appropriately used.
- Team members receive appropriate guidance and are provided effective on-the-job training.
- The work conforms with applicable audit standards and OA policy and procedures.
- Audit documentation adequately supports findings and conclusions and provides sufficient data for preparation of the audit report.
- All AFRs, if used, are appropriately prepared and communicated in a timely manner.

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- The report properly communicates the results of the audit.

7.8.7 Documentation of Supervision

Evidence of audit supervision must be documented on every OA audit. Documentation of supervision can include, but is not limited to, the following:

- Records of audit team meetings conducted during the audit, including the conferences with the cognizant Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit at the end of the planning phase and the end of the fieldwork phase (the report/message conference) or at any other relevant points throughout the audit.
- Supervisory sign-off on individual work papers in the audit documentation.

The nature of the review of audit work may vary depending on the significance of the work or the experience of audit team members. Supervisors should use their judgment in determining the timing and extent of reviews.

7.8.3 Supervisory Review of Audit Documentation

The Yellow Book states that auditors should document supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report. It is OA policy that supervisory review of work performed occur and be documented before a formal draft report is released to the audited entity. Supervisory review is to focus on the sufficiency and appropriateness of the evidence supporting the findings and conclusions.

For all OA performance audits, individual work papers included in audit documentation that supports findings, conclusions, and recommendations contained in the audit report must be reviewed and signed-off on by a supervisor. This review can be performed at several different levels to ensure the quality and completeness of the work.

Although supervisory authority rests with the audit manager, audit review tasks can be performed by both senior auditors and staff auditors, depending on the makeup of the audit team and the nature of work being performed. For example, audit managers can assign supervisory review responsibility for individual work papers in the audit-in-

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(Insert. Staff auditors can also contribute to the review process by reviewing each auditor's workpapers submitted to the manager or auditor-in-charge.)

Audit managers are responsible for reviewing and signing-off on individual work papers prepared by the auditee in-charge and all summary review memoranda and for reviewing other work papers to the extent necessary to ensure the sufficiency and appropriateness of the audit evidence obtained. Similarly, audit directors are responsible for reviewing and signing work papers prepared by a manager, and reviewing other work papers, to the extent necessary to ensure the sufficiency and appropriateness of the audit evidence obtained. It is anticipated that the director's review will be focused primarily on manager-prepared work papers and the high-level supervisory memoranda, but the director's review may be as extensive as deemed necessary and appropriate in the circumstances.

Reviewers should prepare review (checking) notes on items in audit documentation that need to be addressed. The audit staff member who prepared the work paper is responsible for answering all review notes in an appropriate manner. The preparer of the review note should clear the note only when he or she is satisfied that the content of the note has been adequately addressed. Review notes are to be retained as part of the audit documentation until the audit documentation is finalized at which time the review notes are to be deleted from audit documentation managed in TeamMate® or removed and destroyed (for audit documentation maintained outside of TeamMate®). The audit director is responsible for ensuring the finalization of the audit documentation and removal of review notes. Any exception to this policy must be approved by the cognizant Deputy Assistant Inspector General for Audit.

To ensure that audit objectives are addressed in a timely and appropriate manner, supervisors should continuously monitor audit progress and review audit documentation at intervals commensurate with the experience of assigned staff members, complexity of the audit, and timeframes necessary to meet any statutory or other pre-established reporting deadlines. Work that is complex or that has been performed by an inexperienced staff member will require more frequent review than other work.

CHAPTER 8.0 – FEDERAL INFORMATION SECURITY MANAGEMENT ACT AUDITS AND EVALUATIONS

8.1 Purpose

This chapter identifies the responsibility and policy and procedures for conducting the annual independent audits or evaluations of Treasury's information security program and practices, which are required by the Federal Information Security Management Act of 2002 (FISMA).⁴⁴

8.2 Policy

OA performs or contracts for the performance of the annual independent audits or evaluations of Treasury's non-IRS information security program and practices. Audits or evaluations of national security and unclassified systems are performed in accordance with the Yellow Book or Quality Standards for Inspection and Evaluation, respectively. Before initiation of each annual FISMA engagement, the Assistant Inspector General for Audit in consultation with the Deputy Assistant Inspector General for Financial Management and Information Technology Audit will determine which standards to use.

Separate reports will be issued for the national security systems audit or evaluation and the unclassified systems audit or evaluation. The Treasury Inspector General for Tax Administration conducts the annual audit or evaluation as it pertains to the IRS, while OA conducts the annual audits or evaluations as they pertain to the remainder of Treasury's bureaus. Both reports are transmitted by OA to the Secretary of the Treasury who then submits the reports to OMB by the date set by OMB.

8.3 Performing the FISMA National Security Systems Review

As required by FISMA, OA will either perform or contract for the performance of an annual audit or evaluation of the information security program and practices of Treasury's national security systems. This audit or evaluation is to be conducted in accordance with FISMA requirements and implementing guidance and deadlines from

⁴⁴ 44 U.S.C. § 3541 et seq.

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SECURITY MANAGEMENT ACT EVALUATION**

the Intelligence Community DIG. The Deputy Assistant Inspector General for Financial Management and Information Technology Audit is responsible for ensuring that staff members assigned to this audit or evaluation possess the appropriate level of clearance and access.

**8.4 Performing the FISMA
Unclassified Systems Review**

As required by FISMA, OA will *directly perform or contract for the performance of an annual audit or evaluation of the information security program and practices of Treasury's unclassified (i.e., nonnational security) systems*. This audit or evaluation will be conducted or contracted for by the Office of Information Technology Audits and performed in accordance with FISMA requirements and OMB and the Department of Homeland Security implementing guidance and deadlines.

**8.5 Guidelines for Performing
FISMA Independent Audits and
Evaluations**

The following guidelines apply to performance of FISMA independent audits or evaluations:

- OA will use prior and ongoing OA assignments to develop, support, and supplement its conclusions on the adequacy of Treasury's information security program and practices for its national security systems and unclassified systems.
- The audit or evaluation methodology, whether done under Yellow Book or Quality Standards for Inspection and Evaluation, will be consistent with FISMA requirements and applicable implementing guidance as it becomes available.
- Communication with Treasury's Chief Information Officer, the Treasury Inspector General for Tax Administration, and Treasury bureaus' chief information officers is to be maintained throughout the audits or evaluations.
- To support overall conclusions on Treasury's information security program and practices as they relate to unclassified systems, OA will coordinate with the Treasury Inspector General for Tax Administration to obtain relevant conclusions resulting from its evaluation of the IRS's information security program and practices.

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- IRS-related conclusions are to be incorporated in OA's audit or evaluation of Treasury's information security program and practices; however, OA's report should state that the IRS-related conclusions were obtained from and are the responsibility of the Treasury Inspector General for Tax Administration.

**8.6 Staff Member Responsibilities
for FISMA Reporting**

The following are the responsibilities of each level of the OA organization related to FISMA reporting:

- The Deputy Inspector General for Audit is responsible for determining whether individual annual audits or evaluations will be performed in whole or in part by OA staff members and the extent to which contractors will be used.
- The director of the Office of Information Technology Audits is responsible for maintaining open communication with the Treasury Chief Information Officer, Treasury bureaus' chief information officers, and the Treasury Inspector General for Tax Administration; supervising and overseeing the audit or evaluation; and reviewing the report.
- The audit manager and the contracting officer's representative, as applicable, are responsible for assisting in planning the audit or evaluation and providing guidance in the performance of the audit and evaluation as well as ensuring performance by OA staff members or the contractor with professional standards.
- Auditors and specialists are responsible for conducting FISMA audits or evaluations in accordance with applicable professional standards.

CHAPTER 9.0—QUALITY REPORTING

9.1 Purpose

This chapter identifies policies and procedures to help ensure that QA products, such as audit reports, evaluation reports, semiannual reports to Congress, and congressional testimony, are timely, complete, accurate, objective, convincing, clear, and concise.

9.2 Policy

To help ensure that QA products meet applicable professional standards, it is QA policy that:

- Audit and evaluation programs and reports are indexed to supporting audit documentation.
- Audit and evaluation reports are referenced to the supporting audit documentation by an experienced auditor independent of the audit engagement.
- Standard report templates are used for discussion draft, draft, and final reports.
- A formal reporting process is followed to include issuing discussion draft reports and draft reports for official comment, incorporating management comments into the final report, and issuing and distributing final reports.
- Supervisory review and involvement are to occur throughout document development and preparation.
- A sequential numbering system is used for QA products.

With respect to testimony, a comprehensive briefing book is to be prepared and drafts of testimony is to be reviewed by cognizant components within QA with the objective to ensure completeness and consistency with issued QA product, completeness and consistency with the congressional invitation to testify, and appropriateness of the testimony message.

In addition, QA will help ensure reporting meets professional standards and QA policy through its internal quality control system, as described in [Chapter 3](#) of this manual.

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9.3 Report Elements

QA products should do the following:

- Provide relevant information in time to respond to the legitimate needs of officials of the audited entity, legislative officials, and other users.
- Address any applicable statutory or regulatory requirements.
- Contain the evidence needed to satisfy the audit objectives and promote an adequate and correct understanding of the matters reported.
- Include only information, findings, and conclusions that are supported by sufficient, appropriate evidence in the audit documentation.
- Be balanced in content and tone throughout.
- Ensure that audit results presented are responsive to audit objectives; findings are presented persuasively, and conclusions and recommendations follow logically from the facts presented.
- Are written as clearly and simply as the subject permits.
- Are concise and focused—that is, no longer than necessary to convey and support the message and containing no extraneous information or detail.

To help ensure that QA reports meet these elements, audit teams are to do the following:

- Index procedure steps (audit programs) and reports to the supporting work papers.
- Complete supervisory review of audit work papers before issuing the report.
- Solicit input from the audited entity and from other affected parties throughout the process regarding issues found during audit fieldwork to help ensure that findings are reported accurately and to reduce surprises when the audited entity receives the discussion draft report.
- Schedule, conduct, and prepare minutes of the report conference with senior QA management (see Report Conference, in [Chapter 2](#) of this manual, for details on purpose, timing, and required participants in the conference) after the end of fieldwork and before preparing the discussion draft report to ensure that there is agreement within QA on what is presented in the report.

Whether critical element to ensure reports meet professional standards and QA policy are first and second level reviews by the audit manager and director, respectively. In addition to "line editing" of draft reports (e.g., making the presentation more concise

and ensuring reports are grammatically correct and follow DA style requirements). First and second level reviewers should review the draft reports for (1) dominance, (2) sufficiency of the content, (3) factual accuracy, (4) accurate and appropriate legal or regulatory references, (5) analytical soundness, (6) completeness of finding elements to answer the audit objectives, (7) structural integrity (e.g., information in one section of the report is consistent with other sections of the report), and (8) adequate links between objectives and findings. Reviewers should ensure weaknesses identified through the report review process are corrected.

9.4 Indexing the Audit Program to Work papers

For all audits conducted by DA, the audit program must be indexed to work papers. For audits conducted in TeamMate®, the audit program is contained within procedure steps; therefore, indexing should be performed within the procedures, rather than between the audit program and the procedure steps. If a procedure step was not performed, the audit team should include a note explaining the exclusion in the procedure step. Changes to the approved audit program should be explained in the professional judgment procedure step. If the audit documentation is maintained outside of TeamMate®, cross-referencing is performed between the approved audit program and the work papers. If there is a change to the approved audit program, the audit team should include a note explaining the change in the work papers.

9.5 Indexing the Audit Report to Work papers

DA audit work is to be indexed to ensure that all facts stated in a report are supported by work papers. Indexes in the report should be made to the summary work paper (e.g., the applicable discussion in the results, purpose, source, scope and methodology, or conclusion) which traces to the source work paper(s) used to support the statement. An index from the statement in the report to a source work paper(s) is not necessary, if the index will essentially duplicate the index made to a summary work paper which traces to the source work paper(s). Additionally, to facilitate expedient access to figures, dates, names, and titles, indexes may be made to both the summary work paper discussion and the source work paper(s). Indexing is required for each sentence, paragraph, or exhibit of the audit report presented as fact. Auditor's opinions, conclusions, and recommendations can generally be omitted as such without indexing to the audit documentation. However, if an opinion, conclusion, or

recommendation is controversial or not intuitively obvious from the information in the report, a work paper may be needed to further explain how the opinion, conclusion, or recommendation was derived and the report should be indexed to that work paper. Reviewers, however, are cautioned in such a situation to review the adequacy of the report presentation.

The following are requirements for indexing:

- Indexing of each section of a report should be performed by the auditor responsible for preparing that section.
- The auditor-in-charge is responsible for ensuring that the entire report is indexed and ready for referencing.
- All figures, dates, names, and titles appearing in a report must be consistent with the supporting work paper (i.e., the reference should not have to perform computations).
- While desirable that discussion draft reports are referenced before they are issued, if referencing is not practicable before issuance, the discussion draft report must be indexed before release. In addition, for any information that is added after a referenced draft is issued, this information must be indexed and referenced as well, prior to issuance of the final report.
- The final report should be indexed and referenced for any statements of fact changed or information added, including changes or additions made in response to management comments, and the management response itself.
- Whenever language is repeated in a report, the auditor may cite previously indexed pages containing that language.
- To facilitate the indexing process, the body of the report and any appendices containing supporting information (including the objective, scope, and methodology appendix) should be indexed before the introductory and results-in-brief sections.
- The introductory and results-in-brief sections should be indexed to other sections of the report.

If the reviewer finds that the report indexing is incomplete to any significant extent or that the underlying audit documentation has not been reviewed by the supervisor, he or she should return the report to the audit manager or director for correction before resuming the referencing process.

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9.6 Use of Checklists

The relevant checklist must be completed for all OA financial audits, performance audits, evaluations, and attestation engagements before the final report is issued. The checklists to be used are listed below:

- Financial Statement Audit Completion Checklist from Section 1003 of the *GAO/PCIE Financial Audit Manual*
- Checklist for Performance Audits (procedure steps in TeamMate® performance library)
- Checklist for Evaluations (procedure steps in TeamMate® evaluation library)

9.7 Referencing

Draft reports for comment (and discussion draft reports, if practicable) are to be referenced before they are released for external review.²³ The referencing process should be completed within 5 days of the referencer's receipt of the indexed draft and supporting work papers. Subsequent revisions, including language inserted in the final report to address management comments, must be referenced before the report is released again, whether in draft or in final. Reports are referenced to help ensure that

- support is adequate and accurate for reported findings, opinions, conclusions, and recommendations; and
- the report presentation, including tone, was appropriate to the results of the audit or evaluation;
- professional standards and OA reporting requirements were followed.

Referencing does not replace supervisory review. Referencing is an adjunct to that process and is performed after supervisory review has been completed.

²³ In some instances, the audit director will be responsible both (1) for approving the release of draft documentation to the (a) or (b) referencer, and (2) for reviewing the draft, with the referencer then performing a final review of the audit documentation for the initial release.

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Referencers²⁴ are to be

- selected from a directorate other than the one with lead responsibility for the audit; and
- experienced auditors or program analysts at the GS-13 level or above who have not participated in or been directly associated with performing the audit or writing the audit report.

Selection of a staff member within the lead directorate or below the GS-13 level requires the approval of the cognizant Deputy Assistant Inspector General for Audit and inclusion of a written rationale for the selection in the audit documentation.

Referencers should be familiar with the contents of this chapter and possess sufficient skills and experience necessary to perform a proper review. Click [here](#) to view the document that contains referencing guidelines. The complete referencing process is to be documented on report referencing sheets, which are found [here](#).

9.8 Referencing Responsibilities

Audit directors should ensure

- reports are referenced and
- referencer notes have been appropriately addressed by the audit team and cleared by the referencer before report issuance.

If a referencer note cannot be received by the audit manager and auditor-in-charge, the audit director has the option to "pass," or not accept, a note. The audit director must provide a written justification in the comment section for not accepting any note. The audit director should also discuss "passed" notes with the cognizant Deputy Assistant Inspector General for Audit.

²⁴ In some instances, more than one referencer may be assigned to an audit, particularly when some of the evidence in such instances is (a) not fully referenced in sections but necessarily in the order presented in the report, with the referencers then performing a final review of the audit documentation for issues such as *objectivity*.

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Audit managers have primary responsibility for ensuring:

- reports have completed the referencing process; and
- referenced comments have been addressed.

The audit manager indicates that referenced comments have been addressed by signing the report referencing sheet.

Auditors-in-charge have primary responsibility, with audit manager oversight, for ensuring:

- reports are indexed to supporting work papers;
- reports are referenced in accordance with this chapter and with QA referencing guidelines;
- referencing sheets are annotated with actions taken in response to each referencing point;
- deficiencies noted on report referencing sheets are corrected and that questions have been resolved; and
- referenced notes that cannot be resolved are elevated to the audit manager.

Referencers have primary responsibility for:

- verifying that statements of fact in the audit report are adequately supported by proper documentation in the work papers;
- checking the accuracy of all mathematical computations or tabulations;
- verifying all citations to laws, regulations, manuals, bulletins, procedures, or other authorizing documents and instructions;
- ascertaining that all opinions, recommendations, and conclusions are logical and consistent with the facts in the work papers; and
- identifying any inconsistencies in the report; any spelling, typographical, or grammatical errors; and any instances where the presentation of the material adversely affects clarity, tone, or balance.

5.3 Senior Audit Management Review

The QA senior management official with signatory authority (see [Section 4.6](#) for financial audit signatory authority, and [Section 7.5.1](#) for performance audit signatory

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authority) for the report should review the discussion draft report before it is released for comment to Department or Bureau management. (Click [here](#) to see the report review process for all discussion drafts, drafts, and final reports).

When time is of the essence, this senior management official may review the report while it is being referenced and then consider the effect of any referencing comments.

The purpose of this review by QA senior management is to help ensure:

- production of reports that meet professional standards and QA policy;
- continuity and consistency of reports and recommendations; and
- compliance with QA reporting policies.

Any difference of opinion between an audit director and the cognizant Deputy Assistant Inspector General for Audit is to be resolved by the Assistant Inspector General for Audit. Significant changes to reports resulting from QA senior management review should be documented in the work papers, with a notation of the reason for the change, so that a reviewer can understand significant changes that have occurred.

A change made to an QA product by QA senior management that is not supported by sufficient, appropriate evidence in the audit documentation must be brought to the attention of QA senior management, and resolved. Any disagreement by a member of the audit team with the content of a final report should be documented, along with the reason and the approval of the responsible QA management official who made the final determination on the reporting of the subject matter of the disagreement.

9.10 Discussion Draft Report Issuance

As the first step in the report issuance process, a discussion draft is typically issued to the audited entity. A well-structured, accurate discussion draft is key to the timely issuance of draft and final reports.

A transmittal memorandum or email must accompany all discussion drafts issued. Issuing a discussion draft allows the audited entity to provide input on the accuracy, completeness, balance, and tone of the report and the feasibility of the recommendations. This input may be obtained before or during the exit conference. In

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In some instances, the audited entity may agree to provide written comments on discussion drafts and forgo receipt and review of a formal draft (where management comments of the audited entity are normally issued), thereby decreasing the time required for OIA to produce a final report. A template for the transmittal memorandum is included in the *Draft Report Template – With Instructions and Blank Appendixes*.

9.11 Exit Conference

The audited entity should be afforded a reasonable opportunity to review the discussion draft in advance of the exit conference. Typically, and absent exigent situations, the exit conference should be scheduled within 5 days of the transmittal of the discussion. Requests or delays in scheduling the exit conference beyond 15 days of transmittal and associated reasons should be brought to the attention of the cognizant Deputy Assistant Inspector General for Audit.

- Although exit conferences should normally be held in person at the audited entity's location, they can be performed by teleconference at the request of the audited entity.
- The results of all exit conferences must be documented in the work papers.
- Any changes made to the discussion draft report as a result of the exit conference must be indexed and referenced.

9.12 Draft Report Issuance

Once the discussion draft report is issued and the exit conference has been conducted, a formal draft report will be issued. A transmittal memorandum or email to accompany all formal draft reports issued. Within the body of the transmittal memorandum, DA should convey that the distribution of the report should be limited, since the report is still in draft. In addition, a "Draft" watermark should be applied to every page of any document released outside of OIA that is not final, including an NFR.

The memorandum that transmits the draft report and asks Department or bureau officials for a response to the report should include language stating OIA's

- policy on receiving management comments, and
- general policy allowing information that should be omitted for Freedom of Information Act and proprietary information.

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The issuing audit director will be responsible for providing the Inspector General an advance copy of each report (discussion draft, formal draft, and final) to be issued by OIA. The director will issue the report to the addressee after receiving confirmation from the Inspector General, and resolving any comments raised by the addressee.

9.13 Management Comments on Draft Reports

Department or bureau official written comments should be obtained for all formal draft reports issued. The audited entity will typically be given 30 days after the issuance date of the formal draft report to provide written management comments on it. Audit Directors may extend the due date for a written response by 15 days, if requested by the audited entity. However, if the response is not received within 45 days after the draft's issuance date, DA has the authority to publish the report without a (management) response. In such a case, the report would include a statement that OIA requested but did not receive a timely response from Department or bureau officials. If Department or bureau officials want an extension beyond the 15 days, they may submit a written request to the Assistant Inspector General for Audit.

There may also be exceptions to the 30 day response period, such as with material loss reviews, where the management response timeframe will be a very limited timeframe since there is a required issuance date. In situations such as these, the management response timeframe will be determined by the cognizant Deputy Assistant Inspector General for Audit.

The audit team should evaluate management comments when they are received to determine whether they

- indicate agreement with the findings and the recommendations and
- include planned corrective actions and corresponding completion dates.

The Department's or bureau's written response will be included in the body of the report. Each recommendation section will provide for a management response and an OIG comment to a management response. In addition, the written management comments will be scanned and included as an appendix to the report.

The OIG comments section provides a synopsis of the Department's or bureau's response to a recommendation and corresponding OIG comments on the response.

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including whether any proposed corrective action addresses OA concerns. In some cases, the Department's or bureau's synopsis of the response to all or a group of recommendations and OIG comments may be the same. In such cases, it is acceptable to have one section covering all the Department's or bureau's responses and OIG comments on those responses.

9.14 Resolution of Management Comments

Management comments should include, for each OIG recommendation, a planned or completed corrective action and a completion date for the action. If management disagrees with OIG findings and recommendations, the audit team should contact the audited entity's management and attempt to resolve the differences. If differences cannot be resolved, reports may be issued without Department or bureau concurrence. In those cases, the audit team will work with a Department or bureau resolution officer to resolve the response. If resolution is not achieved within 90 days after the report is issued, the matter may be elevated to the Office of the Assistant Secretary of the Treasury (Management) as outlined in Treasury Directive 40-02²² based on guidance from the cognizant Deputy Assistant Inspector General for Audit and Assistant Inspector General for Audit.

For disagreements by management with any facts in the report, the audit team will determine whether the disagreement matter has validity (i.e., management's position is supported by sufficient, appropriate evidence). If so, the audit team is to revise the report accordingly. If the disagreement matter is determined to not have validity, the audit team will include a rebuttal in the report.

9.15 Comments from Other Affected Entities

OA may, on occasion, request comments on a draft report from a non-Treasury entity that might be affected by a report. As a courtesy, this step should be coordinated with the audit liaison for the audited Treasury office or bureau.

²² Treasury Directive 40-02, "Treasury Audit Management Follow-up to OIG Findings," (June 2, 2002).

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9.16 Report Numbering System

A report numbering system has been established and is maintained by OA. Under that system, the OA office manager issues a report number for each final report to coincide with the dating and signing of the report. The OA office manager tracks audit report numbers manually and electronically within an audit report log. A log entry is complete when it contains (1) an issue date, (2) a report number, and (3) the name of the responsible audit director.

In addition to audit reports, which follow Yellow Book, OA issues consultative assistance reports, which follow OIGIE standards or other guidelines. These types of reports have their own report numbering system, separate from regular audit reports.

The numbering formats for audit reports and consultative reports are as follows:

- Audit report numbers start with "OIG-", followed by the fiscal year (a two-digit number), and then a sequential number for reports issued in that fiscal year (e.g., OIG-13-001 would be the first audit report issued in fiscal year 2013).
- Consultative assistance report numbers include the letters CA between OIG and the two-digit fiscal year (e.g., OIG-CA-13-001).

9.17 Report Issuance and Distribution

It is the audit director's responsibility to ensure that copies of the audit report are distributed to appropriate officials at audited entities and to appropriate officials at organizations requiring or arranging for the audit, including external funding organizations such as legislative bodies. Audit directors should also ensure their team sends copies of the report to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive audit reports. Unless the report is restricted by law or regulation or contains privileged or confidential information, the director responsible for issuing the report should work with OIG Counsel for disclosure review and approval. It is also the issuing director's responsibility to provide a copy of the report in portable document format (PDF) to the director of the Office of Audit Operations to ensure that a copy of the audit report is available for public inspection. Nongovernment auditors should clarify report distribution responsibilities with the OA party contracting for the audit and follow the issuance and distribution agreements reached.

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The original signed copy of the audit report is sent to the addressee, with distribution of copies as indicated in the report distribution appendix of the report. In addition, copies of the final report in PDF can also be provided to all requesting parties. A copy of the final report should be included in the audit work papers, and with the exception of a classified report, a copy of the final report and any redacted version of the report will be maintained on TIGNet.

Audit teams are to provide a 508-compliant copy of the final report in PDF to the Office of Audit Operations, which is responsible for:

- posting a copy of the final reports on TIGNet;
- entering the report in the final report inventory listing on TIGNet;
- providing a 508-compliant copy of the final audit report in PDF to the Departmental Offices for posting to the OIG website; and
- answering, within 24 hours of report issuance, that the audit report is posted to the OIG website.

In addition, audit teams are responsible for emailing a summary semiannual report summary and the audit abstract detailing the findings to the Office of Audit Operations coordinator for the Joint Audit Management Enterprise System (JAMES). Chapter 12 of this manual contains additional requirements for audit follow-up and resolution.

9.1.8 Report Templates

To ensure consistency, all OA draft and final reports are to follow the structure of the

- [Report Cover Template](#), and
- [Draft Report Template with Instructions and Blank Appendices](#).

The templates apply to reports that are not designated as controlled unclassified information or classified.

When auditors comply with all applicable generally accepted government auditing standards requirements on a performance audit, they should use the following unmodified generally accepted government auditing standards statement in the Objectives, Scope, and Methodology appendix to the report:

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

When the auditors do not comply with all applicable generally accepted government auditing standards requirements, they should include a modified generally accepted government auditing standards compliance statement in the audit report, as provided in the Yellow Book:

When auditors comply with all applicable OIGIE *Quality Standards for Inspections and Evaluations*, they should use the following statement in the Objectives, Scope, and Methodology appendix to the report:

We conducted this evaluation in accordance with OIGIE *Quality Standards for Inspection and Evaluation*.

9.19 Preparation of Materials Other Than Audit Reports for External Users

In addition to audit reports, OA is responsible for preparing other products related to OA activities or on behalf of the OIG. These products include congressional testimony, the Inspector General's Semiannual Report to the Congress under the Inspector General Act, and the Inspector General's annual Management and Performance Challenges Memorandum to the Treasury Secretary under the Report Consolidation Act of 2000.

9.19.1 Referencing Original Work to Materials Other Than Audit Reports

All original OA work (i.e., work not based on an issued, referenced OA report) in documents for external users is to be indexed and referenced prior to issuance.

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9.19.2 Congressional Testimony

For congressional testimony requests, OIG typically prepares written and oral statements, a briefing book, and responses to questions for the record provided during or after the hearing. Subject matter experts for a particular testimony request will be called to research, create, and support information used in the written and oral statements. Before the testimony is presented to Congress, a briefing book will be created that typically includes, but is not limited to, the following materials:

- invitation or resury
- introductory oral and written statements
- identification of subcommittee members
 - chairperson biography
 - ranking minority member's biography
- recent related hearings
 - House subcommittee hearings
 - Senate full committee hearings
- relevant press releases or advisories
- related OIG audits
- other related OIG work
- possible questions and answers
- additional background information (e.g., news articles)

Briefing books will be made by the directorate researching the testimony for the Inspector General, the Assistant Inspector General for Audit, and other key members of the testimony process. A full copy of the briefing book will be provided to the Office of Audit Operations to maintain in TIGNet after the testimony.

9.19.3 Other Information Requests from Congress

OIG will respond to requests from Congress promptly, after consultation with the Inspector General. Congressional inquiries and responses to congressional inquiries are to be controlled through the immediate office of the Assistant Inspector General for Audit.

After a response has been prepared and any original work has been indexed and referenced, the OIG office manager will ensure that the response typically

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correspondence) is in the correct format and, if necessary, forwarded to the Inspector General for signature. Copies of responses will be maintained in the Correspondence and Chron Library in TIGNet, as applicable. This library may be used for reference by staff members responding to future requests.

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CHAPTER 10.0—SPECIAL CONSIDERATIONS FOR WORKING WITH CLASSIFIED AND SENSITIVE BUT UNCLASSIFIED INFORMATION

10.1 Purpose

This chapter identifies protocols to protect against unauthorized disclosure of classified or sensitive information. Such disclosure could adversely affect U.S. national and economic security, public health and safety, and vital Treasury missions.

Any question regarding the safeguarding, handling, and marking of classified materials and information should be directed to a Treasury Special Security Officer in the Office of Intelligence and Analysis.

10.2 Policy

OA work relating to classified and sensitive but unclassified information must comply with the following:

- Treasury Directive Publication #5-01, Treasury Information Technology Security Program
- Executive Order 13526, Classified National Security Information
- Department of the Treasury, Classified Information User Reference
- Treasury Order 105-19, Delegation of Original Classification Authority; Requirements for Declassification and Downgrading

10.3 Types of Information Sensitivity

Some of the information that OA auditors review is considered classified or sensitive but unclassified. In such cases, OA staff members must follow special requirements to ensure that the information is properly safeguarded. The treatment and handling of classified documents and sensitive information may appear to be similar, but audit staff members need to be aware of the distinctions that do exist.

CHAPTER 10.0—SPECIAL CONSIDERATIONS FOR WORKING WITH CLASSIFIED AND SENSITIVE BUT UNCLASSIFIED INFORMATION

10.3.1 Classified Information

Executive Order 13526 defines classified information as information that has been determined to require protection against unauthorized disclosure and is marked to indicate its classified status when in documentary form.

When handling classified information, OA staff members must ensure that the information is not disseminated to parties without proper clearance and a need to know the information. Unauthorized disclosure of classified information can lead to varying degrees of damage. The following three classification levels are related to these potential degrees of damage:

- **Top secret.** Unauthorized disclosure of top secret information which reasonably could be expected to cause exceptionally grave damage to national security.
- **Secret.** Unauthorized disclosure of secret information which reasonably could be expected to cause serious damage to national security.
- **Confidential.** Unauthorized disclosure of confidential information which reasonably could be expected to cause damage to national security.

10.3.2 Sensitive Information

Reports containing sensitive information are labeled as "sensitive but unclassified." Information in such reports is not for public use or distribution. Loss of, misuse of, unauthorized access to, or modification of sensitive information can adversely affect the national interest, the conduct of federal programs, and the privacy to which individuals are entitled under the Privacy Act. When handling sensitive information, OA staff members must ensure that the information is not disseminated to parties without proper clearance and a need to know the information.

10.4 Working With Classified and Sensitive Information

Safeguarding information involves both the safety and security of the work area in which the documents are being used and proper marking of the documents. When working with classified or sensitive information, OA staff members are to do the following to ensure that the work area and materials are properly safeguarded:

CHAPTER 10.D—SPECIAL CONSIDERATIONS FOR WORKING WITH CLASSIFIED AND SENSITIVE BUT UNCLASSIFIED INFORMATION

- Use cover sheets for documents containing classified or sensitive information. The cover sheet must indicate whether the materials in the document are designated as sensitive but unclassified, confidential, secret, or top secret.
- Label storage devices (e.g., external hard drives, CD-ROMs, etc.) containing classified or sensitive information to indicate whether the materials are designated as sensitive but unclassified, confidential, secret, or top secret.
- Store classified documents in locked, General Services Agency-approved safety containers.
- Store materials designated as confidential or secret in OA workspaces only if the workspace meets Treasury security requirements, and specific requirements for the program under review. If an OA workspace cannot meet these requirements, OA will need to have access to an approved storage area at the Main Treasury building.
- Store sensitive information in a locked drawer or office.
- Conduct phone conversations involving classified information only on secured telephone lines that are approved by Treasury's Office of Security.
- Process classified documents on either a secured network system or a stand-alone computer with a removable hard drive.

10.D.5 Marking Classified Documents

Classified documents within OA are to be marked according to [Treasury Directive Publication 85-01](#):

- Documents must be conspicuously marked with the overall classification of the document in several distinct areas, including the cover page, the title page, the first page, and the inside of the back cover.
- Each portion of a document, which usually consists of paragraphs but also includes the subject line, titles, graphics, and additional subparagraphs, is to be marked to indicate the level of classification by placement of a parenthetical symbol immediately preceding or following the portion to which it applies.

CHAPTER 10.D—SPECIAL CONSIDERATIONS FOR WORKING WITH CLASSIFIED AND SENSITIVE BUT UNCLASSIFIED INFORMATION

[Treasury Directive Publication 85-01](#) also requires that classified information be designated as either an original classification or a derivative classification.

[Treasury Order 105-19](#) specifies who has authority for designating material as classified.

10.E Distribution of Classified or Sensitive Information

Distribution of classified or sensitive information by OA staff members must comply with the requirements of [Treasury Directive Publication 85-01](#) and [Treasury Directive Publication 15-71](#) when distributing classified or sensitive documents:

- Safeguards followed when working with classified or sensitive materials are used for distribution of classified or sensitive materials.
- Recipients of OA documents that contain classified information have the appropriate clearance to receive the document and appropriate facilities in which to store the document.
- Classified information is emailed or faxed only on secure lines approved by the Treasury Office of Security.
- Sensitive information, when packaged, is enclosed in an opaque envelope sealed with reinforced tape.
- Classified information, when packaged is enclosed in two opaque envelopes sealed with reinforced tape, with the inside envelope addressed to the recipient, marked with a return address, and stamped with the appropriate classification and the external envelope addressed to the recipient but not be marked with the classification of the contents.

Sensitive information can be sent through the U.S. Postal Service and the United Parcel Service. A specialized courier service is available for delivery of classified documents through Treasury's Office of Security.

Information regarding congressional receipt of classified information, courier authorizations, and carrying classified information on U.S. commercial airlines is detailed in [Treasury Directive Publication 15-71](#).

CHAPTER 11.0—OTHER WORK PERFORMED BY DA

11.1 Purpose

This chapter provides guidance for work performed by DA other than audits, evaluations, inspections, and attestation engagements that does not constitute a contracted service.

11.2 Policy

It is DA policy that the following be performed as part of its ongoing responsibilities:

- **Coordination of Contract Audits.** DA will coordinate contract audit services performed at the request of others by the Defense Contract Audit Agency (or other sources). DA may obtain such services when it is not able to perform requested contract audit services due to timing or lack of personnel.
- **Oversight of Single Audit Act activity.** DA will monitor Single Audit Act activity relative to recipients of grants or other funds from Treasury on an ongoing basis throughout the year.
- **Responding to internal and external information requests.** DA will respond to information requests from other OIGs or from external parties in a timely manner. Both internal requests, such as requests by the OIG Counsel to the Inspector General for DA assistance in responding to Freedom of Information Act and media inquiries, and external requests, such as letters from the public, will be controlled within the Office of Audit Operations.
- **Peer reviews of other audit organizations.** External peer reviews of federal OIGs are scheduled through the CIGIE Audit Committee. DA will perform these reviews in accordance with the Yellow Book and the CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General.

In carrying out these responsibilities, DA will comply with all applicable professional standards and guidelines, including guidelines established by OMB, CIGIE, and Treasury.

CHAPTER 11.0—OTHER WORK PERFORMED BY THE OFFICE OF AUDIT

11.1 Contract Audit Coordination

The principal types of contract audits performed are proposal audits and incurred cost audits. Other contract audits performed are of cost accounting systems, financial capability, forward pricing rates, termination claims, defective pricing, and progress payments.

At its discretion, DA may delegate authority to the Departmental Offices and Treasury bureaus to request and pay for specific audits. DA will coordinate with the requesting contracting officer and the Defense Contract Audit Agency, with respect to their audit activities at Treasury.

DA's process regarding contract audits for Departmental Offices and Treasury bureaus is as follows:

- Departmental Offices and bureau management are responsible for requesting contract audits.
- Departmental Offices and bureaus will enter into an agreement to pay for the requested contract audit, when performed by the Defense Contract Audit Agency.
- DA will coordinate with Departmental Offices or bureau procurement and the Defense Contract Audit Agency to ensure that contract audits are completed and reports are received to meet the contracting officer's requirements.
- DA will review contract audit reports to determine whether the scope of the work meets the requirements of the contracting officer, and will work with the contracting officer and the auditor to resolve any matters identified.
- DA will transmit Defense Contract Audit Agency to appropriate Treasury officials.
- DA will monitor the resolution of audit findings.

The procedures for Departmental Offices and bureau requests for contract audit services are as follows:

- The chief procurement officer (or designee) or contracting officer of Departmental Offices or the bureau submits a written request for contract audit service to DA.
- The request should provide all information and specific details regarding the requested work, including dates.

CHAPTER 11.D—OTHER WORK PERFORMED BY THE OFFICE OF AUDIT

- Departmental Offices of the requesting bureau will complete and submit to OA, along with a transmittal memorandum, Treasury Department Form 70-06 10, Request for Contract Audit Services, and, if necessary, Treasury Department Form 70-06 10a) Subcontractor Information, Offeror's proposal, contractor data, and government technical reports should be submitted with the request.
- OA will obtain audit services in compliance with the Treasury Acquisition Regulation. OA may, at its discretion, delegate to Departmental Offices and bureaus the authority to request services for specific audits when circumstances warrant. In these circumstances, OA will continue to retain oversight responsibility for the contract audits performed.

Auditory for these procedures is derived from the following:

- Inspector General Act of 1978, as amended
- Treasury Order 114-01, Office of Inspector General
- Federal Acquisition Regulation, Section 15.404, Proposal Analysis
- Department of the Treasury Acquisition Regulation

11.4 Single Audit Act Oversight

The Single Audit Act of 1984 established uniform, entity-wide audit requirements for recipients of federal financial assistance. Single Audits are intended to satisfy all Federal agencies that provide assistance to the entity. A Single Audit has two main objectives:

- To render an opinion on the entity's financial statements and the schedule of expenditures of federal awards in relation to those financial statements;
- To audit federal award recipients' compliance with laws, regulations, and provisions related to contract or grant funds expended during the fiscal year and report on recipients' compliance related to major programs and on internal control over compliance.

11.4 Single Audit Act Oversight

CHAPTER 11.D—OTHER WORK PERFORMED BY THE OFFICE OF AUDIT

In accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, governments or non-profit organizations that receive \$500,000 or more in federal awards during a fiscal year must do the following:

- Maintain internal control over federal programs they are managing.
- Comply with relevant laws, regulations, and the provisions of contracts or grants agreements.
- Prepare appropriate financial statements, including the schedule of expenditures of federal awards.
- Ensure that the required Single Audits are properly performed and submitted when due.
- Follow up and take corrective actions on audit findings.

OMB Circular A-133 requires that cognizant agencies for audit (i.e., agencies with specific single audit oversight responsibilities for recipients spending more than \$50 million annually in federal awards) conduct or obtain quality control reviews of selected Single Audits. These efforts include desk reviews and quality control reviews.

11.4.1 Desk Reviews

When performing desk reviews of Single Audit Act audits, OA will use the CIGIE Guide for Desk Reviews of OMB Circular A-133 Audit Reports.

11.4.2 Quality Control Reviews

Quality control reviews are more detailed than desk reviews and typically involve examination of the auditor's work by OA. The objective of a quality control review of a Single Audit is to determine that the audit was conducted in accordance with applicable standards and meets the Single Audit requirement.

OA will document the results of quality control reviews of Single Audits in accordance with the CIGIE Guide for Quality Control Reviews of OMB Circular A-133 Audits.

11.4.2 Quality Control Reviews

CHAPTER 11.0—OTHER WORK PERFORMED BY THE OFFICE OF AUDIT

11.3 Treasury Federal Financial Assistance

Treasury's major federal assistance-awarding agency is the Community Development Financial Institutions Fund.

11.4 Single Audit Meetings

DA staff members, whose responsibility includes Single Audit oversight, may be asked to attend single audit meetings that are held throughout the year. These meetings enable OIG to establish contacts within the single audit network. Types of single audit meetings include the following:

- National Single Audit Coordinator Meeting
- Single Audit Roundtable
- Intergovernmental Audit Forums

11.4.5 References for Single Audit Work

The most frequently used circles for Single Audit work are OMB Circulars A-21, Cost Principles for Educational Institutions; A-87, Cost Principles for State, Local and Indian Tribal Governments; A-122, Cost Principles for Non-Profit Organizations; and OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations. Click [here](#) to access all OMB circles.

The following references are also relevant to Single Audit work:

- [OMB Circular A-133 Compliance Supplement](#)
- [OMB grants management website](#)
- [CIGIE, Guide for Desk Reviews of OMB Circular A-133 Audit Reports](#)
- [CIGIE, Guide for Quality Control Reviews of OMB Circular A-133 Audits](#)
- [Single Audit Act Amendments of 1998 \(Pub. L. No. 104-156\)](#)
- [Federal Financial Assistance Management Improvement Act of 1989 \(Pub. L. No. 101-107\)](#)
- [Federal Audit Clearinghouse](#)

CHAPTER 11.0—OTHER WORK PERFORMED BY THE OFFICE OF AUDIT

- [Catalog of Federal Domestic Assistance Numbers](#)
- [American Institute of Certified Public Accountants Audit Guide](#)
- [American Institute of Certified Public Accountants Audit Risk Alerts Single Audits](#)

11.5 Information Requests

DA staff members assigned to address information requests will coordinate with other OIG offices, including the Office of Investigations and the Office of Counsel, as required, depending on the nature of the request. Copies of responses will be maintained on OIG's internet site, TIGNet, in the [Correspondence and Chron File Library](#) by the Office of Audit Operations. This library may be used as a reference by staff members preparing responses to subsequent requests.

11.6 CIGIE Peer Reviews of Other Offices of Inspector General

DA participates in peer reviews of other federal OIGs, which are conducted once every 3 years by a team of senior DA auditors. All peer reviews (both internal and external) will be coordinated through the Office of Audit Operations.

The peer review team should use the [CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General](#) and applicable quality control and assurance Yellow Book standards related to external peer reviews to conduct peer reviews of other OIGs.

11.7 Congressional Testimony

When requested, DA prepares congressional testimony. Congressional testimony documentation is described in [Chapter 8](#).

CHAPTER 12.0—AUDIT RESOLUTION AND FOLLOW-UP

12.1 Purpose

This chapter identifies the processes for audit resolution and follow-up. These processes are necessary to ensure that the audited entity has taken corrective action to resolve the problems stated and that the corrective actions proposed or taken effectively and efficiently correct the problems. This chapter also provides general guidance on the use of Treasury's tracking system to monitor audit recommendations.

12.2 Policy

For all audits and evaluations, OA will perform audit resolution and following activities to ensure that corrective action is taken by management to address findings and recommendations, thereby improving the effectiveness and efficiency of government operations. As part of planning each audit, auditors should follow up on findings and recommendations from previous relevant audits, attestation engagements, performance audits or other studies that directly relate to the objectives of the audit. OA also performs a limited review of significant unimplemented recommendations open more than 1 year when preparing the semiannual report to Congress. In addition, during the annual audit planning process, OA should consider the need to perform follow-up audits and corrective action verifications.

When performing audit resolution, follow-up, and closure, OA should use the guidelines outlined in the following OMB and Treasury documents:

- OMB Circular A-50, Audit Follow-Up
- Treasury Directive 40-01, Responsibilities of and to the Inspector General
- Treasury Directive 40-03, Treasury Audit Resolution, Follow-Up, and Closure

12.3 Recommendation Tracking System

Treasury's Risk and Control Group is responsible for entries to the JAMES, which is used to ensure that Treasury management takes action on OA audits.

CHAPTER 12.0—AUDIT RESOLUTION AND FOLLOW-UP

Recommendations.²⁴ The OA coordinator for JAMES serves as the liaison between OA and the Risk and Control Group to ensure that all OIG findings and recommendations are included in the system, and upon request, provides OA staff members JAMES reports. Staff members review JAMES reports to ensure that

- OIG recommendations, plans for remediation, and milestones are included in the system; and
- the Department is timely resolving OIG recommendations.

The procedure for entering audit recommendations into the JAMES differs according to whether a report is unclassified, sensitive but unclassified, or classified (click here for steps taken to ensure that audit recommendations are entered into JAMES and that their status is monitored).

12.4 Inclusion of Significant Unimplemented Recommendations in the Semiannual Report to Congress

When preparing the OIG semiannual report to Congress, the JAMES coordinator is to review the status of significant unimplemented recommendations. Significant unimplemented recommendations for semiannual reporting purposes are recommendations that remain open for more than 1 year. When recommendations remain open longer than 1 year, the OA coordinator works with the cognizant Deputy Inspector General for Audit to ensure that there is agreement on which should be reported as open in JAMES.²⁵ Any differences of opinion are discussed with Departmental Offices or Bureau management, as appropriate, before the semiannual report to Congress is finalized.

Audit staff members may also request that the JAMES coordinator provide a printout of open recommendations (by office, by report, or all) at any point for monitoring purposes. Staff members are to use this information to help ensure that Treasury or the relevant bureau takes acceptable corrective action, where acceptable corrective

²⁴ The Risk and Control Group reports through the Office of the Deputy Chief Financial Officer to the Office of the Assistant Secretary of the Treasury for Management/Chief Financial Officer.

²⁵ Recommendations are closed based on determinations made by Departmental Offices or Bureau management, generally without advance notice to OIG.

CHAPTER 12.D—AUDIT RESOLUTION AND FOLLOW-UP

action has not been taken, staff members are to work with Treasury of Bureau management to determine why this is the case and what course of action should be taken.

12.5 Follow-Up Audits and Corrective Action Verifications

Follow-up audits and corrective action verification audits should be considered during OIG's annual planning process. A follow-up audit is a broad review of a program previously audited. Follow-up audits typically examine whether corrective action taken to address prior findings and recommendations has effectively resolved problems identified. A corrective action verification audit is narrow in focus; it targets specific recommendations. OIG may also undertake follow-up audits and corrective action verification audits not included in the annual plan if they are deemed necessary. For example, a follow-up audit might be initiated shortly after issuance of a report containing particularly significant or sensitive findings that require immediate correction.

CHAPTER 13.D—ANNUAL PLANNING

13.1 Purpose

This chapter identifies the policy, guidelines, and process for establishing and maintaining OIG annual plans.

13.2 Policy

OIG will establish an annual plan that outlines the major initiatives, priorities, and challenges of the entire OIG in helping Treasury fulfill its mission.

13.3 OIG Annual Plan

The annual planning process (as it relates to audit) helps OIG meet its mission, as stated under the Inspector General Act, to promote the integrity, efficiency, effectiveness of Treasury programs and operations. The annual plan provides senior Treasury officials, members of Congress, and other stakeholders with a greater understanding of OIG, what it does, and its intended work for the upcoming fiscal year. The projects described in the annual plan highlight areas of known or emerging risk and vulnerabilities at Treasury, emphasizing issues of greatest significance to the Department rather than to individual bureaus. The plan may be revised throughout the year to accommodate new legislative requirements, changing bureau missions, unforeseeable events, or high-priority requests for services.

High-priority project proposals for OIG are those that are (1) mandated by law, (2) requested by the Congress or externally driven, or (3) address material weaknesses and other known serious deficiencies and vulnerabilities in Treasury programs and operations.

The work described in the annual plan is to be consistent with the mission, goals, and objectives outlined in the OIG strategic plan and in the Treasury-wide strategic plan. This linkage will facilitate evaluation of OIG's annual performance in meeting both OIG and Treasury-wide long-term strategic goals.

CHAPTER 13.0—ANNUAL PLANNING

13.3.1 Responsibilities

The Assistant Inspector General for Audit, assisted by the Office of Audit Operations, is responsible for ensuring that the annual plan is updated and distributed to stakeholders each fiscal year.

The Assistant Inspector General for Audit establishes the scheduled start and completion dates for each phase of the planning process. Listed below are key activities in the planning process, along with the parties responsible for carrying out those activities:

- Issuing the annual planning “kick-off” memorandum (Assistant Inspector General for Audit)
- Attending meetings with congressional staff (Assistant Inspector General for Audit, Deputy Assistant Inspectors General for Audit)
- Preparing project proposal ideas and write-ups (IAI/OA staff members) (click [here](#) for project proposal form)
- Consolidating project proposal write-ups prior to the planning conference (Director of Audit Operations)
- Planning, coordinating, and conducting the annual planning conference (Assistant Inspector General for Audit, Deputy Assistant Inspectors General for Audit, Director of Audit Operations)
- Participating in the annual planning conference (Assistant Inspector General for Audit; Deputy Assistant Inspectors General for Audit; audit directors; Office of Investigations staff representatives; Office of Counsel staff representatives; and Office of Management staff representatives)
- Refining proposals based on planning conference discussions (audit directors)
- Preparing and reviewing draft plan write-ups (OA staff members and audit directors)
- Refining draft plan write-ups submitted by the Office of Investigations, Office of Counsel, and Office of Management to the Director of Audit Operations (Director of Audit Operations)
- Issuing the draft plan (Director of Audit Operations)
- Receiving comments from customers and stakeholders (Director of Audit Operations)
- Evaluating comments from customers and stakeholders (Assistant Inspector General for Audit, Deputy Assistant Inspectors General for Audit, audit directors, Director of Audit Operations)

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- Obtaining comments from the Inspector General (Assistant Inspector General for Audit)
- Finalizing proposals and submitting a plan for publication (Assistant Inspector General for Audit, Deputy Assistant Inspectors General for Audit, audit directors, Director of Audit Operations)
- Distributing the plan (Director of Audit Operations)

13.3.2 Planning Process

In formulating the annual plan, consideration is given to (1) observations and suggestions by managers, auditors, evaluators, and investigators; (2) Treasury’s fiscal year budget justification priorities; and (3) recent congressional activity, testimony by Treasury officials, and remarks indicating significant areas of interest by Treasury, DMB, GAO, and congressional staff.

Within OA, all staff members play a key role in developing the annual plan by identifying potential future projects and preparing project proposals. OA directors are responsible for ensuring that a sufficient level of research is conducted within their assigned program or functional areas to adequately assess risks and for developing and maintaining an inventory of topics relating to their assigned program or functional areas.

13.4 Project Proposal Data Requirements

OA directors are responsible for ensuring that all annual plan project proposals are updated and submitted by the established deadline. Full write-ups are required for all (1) new project proposals; (2) projects that OA would like to start that fiscal year, but may not have the time or resources to do so, or that will only be in the survey phase by the end of the fiscal year; and (3) projects from prior fiscal years’ plans that have not been undertaken but that still warrant consideration.

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All a mainwork, all project proposals must include the following:

- 4 Proposed project title
- 4 Contact person
- 4 Background
- 4 Objectives/key questions
- 4 Commentary

The purpose of the commentary section, which is for OA internal use only, is to facilitate discussions among OA management and for updating the issue area narratives. The commentary section should include, as appropriate, the following information:

- The size or significance of the program or operation suggested for audit or evaluation (e.g., the dollars involved by year, or over several years, to show trends)
- The underlying legislation
- Any potential or known vulnerabilities
- Results of prior OA or other reviews
- Expectations as to the audit or evaluation results
- Whether the subject matter has any particular customer or stakeholder interest

For ongoing work that is in the fieldwork or reporting phase at fiscal year-end, only the title and objectives/key questions sections need to be submitted. For projects listed in the annual plan for the prior fiscal year that have not been started or appear to no longer be applicable, audit directors should be prepared to discuss the reasons for recommending that the proposals be removed from the plan.

13.6 External Suggestions for and Comments on the Draft Plan

Although Treasury officials receive a copy of the draft annual plan for comment that is issued by the Assistant Inspector General for Audit, audit directors and staff members are expected to meet, as appropriate, with Department and bureau officials throughout the year to solicit audit suggestions. The draft annual plan is also provided to other interested parties for comment, including "sister" OIGs (to include, but not limited to, the Treasury Inspector General for Tax Administration and the federal banking agency OIGs—Federal Deposit Insurance Corporation, Board of Governors of the Federal

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Reserve System, Consumer Financial Protection Bureau, and the National Credit Union Administration), OMB, various congressional committees, and GAO.

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CHAPTER 14.0—OPERATIONS WITHIN OA

14.1 Purpose

This chapter identifies administrative requirements within OA and responsibility for fulfilling those requirements.

14.2 Policy

The Office of Audit Operations is responsible for most administrative processes within OA. These processes include, but are not limited to, the following:

- + Maintenance of the OA Policy and Procedures Manual
- + Coordination of issuance of the semiannual reports to Congress
- + Performance and administration of the internal quality control review process
- + Coordination of the annual audit planning process
- + Retention, control, and security of audit documents
- + Coordination of internal and external peer reviews
- Update of reports on the OIG website
- + Administration of TeamWare®
- + Coordination of the JAMES process with the Department
- + Preparation of monthly status reports
- + Tracking of continuing professional education credits
- + Maintenance and control of all management information (including working with all OA groups to efficiently gather necessary internal management information, collating and analyzing the gathered information, and generating useful internal management reports for the Assistant Inspector General for Audit to effectively manage OA)
- + Coordination of office safety exercises (i.e., shelter-in-place, evacuation)
- Coordination of group training events
- Coordination of resource management

14.3 Maintenance of the OA Policy and Procedures Manual

The Office of Audit Operations has primary responsibility for creating and updating the OA Policy and Procedures Manual. OA staff members are encouraged to provide

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revisions to the manual by submitting the proposal through their supervisor to the Director of Audit Operations. Subject matter experts, in particular, may raise issues that need to be addressed because of revisions to standards or other events. At a minimum, proposals should include the new language and the reasons for the proposed change. The Assistant Inspector General for Audit and the cognate Deputy Assistant Inspector General for Audit will review and have final approval authority for revisions to the manual.

14.4 Coordinating Issuance of the Semiannual Report to Congress

The Office of Audit Operations is responsible for coordinating issuance of the semiannual report to Congress for OIG, unless otherwise assigned by the Inspector General. Under the provisions of the Inspector General Act of 1978, as amended, OIG is to report to Congress semiannually on its activities. The reports, which are issued for the periods ending March 31 and September 30 of each year, describe major issues and concerns identified during reviews, audits, and attestation engagements, along with recommendations for corrective action. Follow-up on these recommendations is discussed in Chapter 12 of this manual.

14.5 Performing and Administering the Internal Quality Control Review Process

The Office of Audit Operations is responsible for performing and administering the internal quality control review process for OA. All directorates within OA are subject to review and may be required to provide staff members to assist in quality control reviews outside of their directorate. Chapter 3 of this manual contains a more detailed description of the OA internal quality control review process.

14.6 Coordinating the Annual Planning Process

The annual planning process is coordinated through the Assistant Inspector General for Audit, Deputy Assistant Inspectors General for Audit, and Director of Audit Operations. The process is discussed in Chapter 13 of this manual.

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14.7 Retention, Control, and Security of Audit Documents

It is OA policy that all retention, control, and security of audit documents follow the guidelines in OIG Policy Directive 540-01, *Storage and Disposal of OIG Files*. These guidelines have been approved by the National Archives and Records Administration.⁴⁰

The following requirements apply to retention, control, and security of OA audit reports and associated work papers:

- Audit directors are to maintain and safeguard the work papers relating to audit reports issued by their directors.
- Within 30 days of completion of the audit, for all hard-copy documentation not being stored in TeamMate®, audit directors are to provide the Office of Audit Operations a listing of all work paper binders associated with the audit.
- The Office of Audit Operations is to compile and maintain a complete inventory listing of all hard-copy work papers on the shared drive for all work papers created by OA.
- The Office of Audit Operations is to monitor onsite storage, shipping to the Federal Records Center, and final destruction of work papers.
- Work papers for external peer reviews and internal quality assurance reviews are to be retained until the subsequent review has been completed.
- Work papers for sensitive but unclassified reports must be secured in either a locked cabinet or locked room.
- Classified work papers must be stored in OIG-approved safes and are subject to Treasury security policies regarding classified material.
- All Freedom of Information Act requests from the general public regarding work paper information are to be forwarded to the Office of Counsel for approval and processing.

⁴⁰ Internal memorandum dated 1/20/01 between Agreements is controlled by the National Archives and Records Administration, which provides a framework for management to use in developing its records retention policy.

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The following procedures apply to storage and destruction of OA work papers:

- After 3 years of onsite storage, the Office of Audit Operations is to send work papers to the National Archives and Records Administration offsite storage center.
- The Office of Audit Operations will provide the National Archives Records Administration sufficient information to obtain an accession number.
- When the work papers are eligible for destruction, the National Archives and Records Administration will seek OA approval for document destruction.
- The Office of Audit Operations will obtain approval by the cognizant audit director, and the Office of Counsel before authorizing destruction of work papers.

Onsite document destruction is available on a weekly basis from the Departmental Office's Office of Security.

14.8 OIG Website Reports Updating

OA will use the [audit report web posting process](#) for posting OA reports to the OIG website.

14.9 Administration of TeamMate

The Office of Audit Operations is responsible for maintaining the functionality of TeamMate® for OA. Auditing in a TeamMate® environment is further discussed in [Chapter 4](#) of this manual.

14.10 Coordinating the Joint Audit Management Enterprise System Process With the Department

Monitoring the resolution of recommendations in JAMES is the responsibility of the Office of Audit Operations. An OA coordinator from the Office of Audit Operations will coordinate the JAMES reporting process with the Department. The JAMES process is discussed in detail in [Chapter 12](#) of this manual.

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14.11 Monthly Status Reports for Individual Projects

All OA directorates must submit a monthly project status report for all active projects beginning the month that time is first charged to the project, until the audit is complete. Senior OA management will use these reports to monitor audit progress and outcomes. The reports are due by the end of each month and are to be filed by the Directorate in a designated shared network file.

Monthly project status reports should identify the following:

- Key planned, revised, and actual milestone dates
- Cumulative project hours and costs charged by assigned staff members since project inception
- Project objectives
- Tentative findings and their status (i.e., identified during planning, subject to verification; finding to be identified; fieldwork in progress; finding being drafted; finding under review; or finding issued for comment)
- Tentative recommendations
- Issues affecting planned milestone dates, project hours and costs, and other information

The narrative information presented should be brief but sufficiently detailed to enable senior OA management to answer any questions regarding an audit. Click [here](#) for the monthly status report instructions and [here](#) for the monthly status report template.

14.12 Monthly Status Reports for All Audits

During the first week of every month, the Office of Audit Operations must prepare a monthly status report on all audit activity for the prior month in OA and in the Office of Small Business Lending Fund Program Oversight. The Office of Audit Operations will coordinate with these offices in the preparation of the report. Recipients of the report are the following:

- Secretary of the Treasury
- Deputy Secretary of the Treasury

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- Assistant Secretary for Management and Chief Financial Officer
- Deputy Chief Financial Officer
- Chief Information Officer
- Under Secretary for Domestic Finance
- Under Secretary for International Affairs
- Under Secretary for Terrorism and Financial Crimes
- General Counsel
- Treasurer of the United States

The Inspector General signs the report to the Secretary of the Treasury and Deputy Secretary of the Treasury, and the Assistant Inspector General for Audit signs the remaining reports.

The OIG monthly status report is separated into two attachments. Each attachment consists of at least three sections: Section A, work-in-progress; Section B, draft reports issued but not yet issued final; and Section C, final reports issued. In-progress work is reported in Section A generally from the time an engagement letter is issued until the draft project report is issued or the project is terminated.¹⁷ Beginning in the month in which the draft report is issued but not yet issued in final, the project is removed from the work-in-progress section of the attachment and placed in report, Section B, where it remains until the month in which the final report is issued. In the month in which the final report is issued, the project is removed from Section B and reported in Section C.

A Section D, final reports with unresolved recommendations, is prepared when such recommendations may be unresolved because the audited entity disagreed with a recommendation or because the entity's management did not provide a complete response with respect to planned actions or target dates. Reports are tracked on the attachment until all such recommendations are either resolved by OIG and the entity's management or until a management decision on the recommendation is made by the Deputy Secretary of the Treasury.

¹⁷ OIG does not generally issue an engagement letter for corrected financial audits or attestation engagements. These projects are first reported in Attachment 1, Section A in the month of the invoice completion. For contract audits performed by the Defense Contract Audit Agency, Attachment 1, Section A tracks the audit from the time the interagency agreement is executed with the Defense Contract Audit Agency to perform the work until the agency's report has been reviewed and issued by OIG.

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The attachments to the quarterly audit status report (the RTR) to include pay information (RTR is restricted) (such as sensitive but unclassified and classified).

14.13 Staff Utilization

It is OA policy that, except for approved leave and training, auditors and program analysts are to work on projects and activities that support the OIG mission. Activities that result in an OA product include, but are not limited to, the following:

- Specific audit, attestation engagement, or evaluation project;
- Annual audit planning;
- Preparation of the annual Inspector General Measurement and Performance Challenges Letter;
- Testimony;
- Semiannual Report to the Congress;
- External peer reviews of other federal OIGs.

Activities that indirectly support the OIG mission include, but are not limited to, the following:

- General supervision not directly related to a project (e.g., annual performance appraisals);
- General administration (e.g., procuring budget requests);
- Recruiting.

Audit Directors and Deputy Assistant Inspectors General for Audit are expected to monitor staff utilization to ensure that time spent on activities that indirectly support the OIG mission is appropriate and justified.

14.14 Timesheet Preparation

Auditors and program analysts at the GS-15 grade and below prepare timesheets in TeamMate® Time and Expense Capture each week that account, by workday, for hours spent on OA projects, leave, training, and other activities. The total hours accounted for on these timesheets should equal the employee's regular work schedule and approved compensatory/overtime hours. First-level supervisors are to review for

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accuracy and sign off on timesheets in TeamMate® Time and Expense Capture each week.

At the start of an audit, attestation engagement, evaluation, or inspection, the audit director should obtain a project code from the Office of Audit Operations. Time is to be charged to individual projects beginning with the first day any work is performed on the project.

14.15 Administrative Time Tracking Codes

Administrative codes are to be used for activities not directly related to a specific OA project. In addition to activity, the administrative codes identify the fiscal year, such as 13 (e.g., A-13-401). It is important that timesheets be accurately and completely filled out to generate accurate time utilization reports.

The following are administrative codes used by OA for timesheet tracking:

- **Training (401)**. Use for time spent in both external and internal training.
- **General and administrative (402)**. Use for such tasks as preparation and discussion of mid-term and annual performance appraisals of staff members.
- **Data calls/requests for comments—technical (403)**. Use for time spent responding to data calls and requests for comments on draft documents that are of a substantive technical nature and require original work. Examples of technical requests include the following: (1) obtaining information from bureaus about their programs and operations in response to a congressional request; (2) researching the general application of accounting principles or auditing standards; and (3) responding to requests for comments on draft Federal Accounting Standards Advisory Board standards, OMB bulletins, testimony by Department officials, and proposed legislation. If it appears that responding to a technical request may take more than 80 hours, the audit director should consult with the cognizant Deputy Assistant Inspector General for Audit to determine whether a specific project code should be established.
- **Data calls/requests for comments—other (404)**. Use for time spent responding to administrative requests. Examples of administrative requests include coordinating the semiannual report to Congress narrative, reviewing draft CIGIE reports, and budget calls. It is not envisioned that time spent responding to administrative requests will need to be tracked under separate project codes.

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- **Liaison and representational activities (405).** Use for time spent on such activities as congressional briefings; contacts with bureau audit liaison officers for periodic updates (as opposed to contacts on specific ongoing projects); work on task forces; and work on professional associations.
- **Audit follow-up (406).** Use for time spent on general inquiries and follow-up on the status of corrective actions on previously issued reports. Fieldwork, as opposed to general inquiries and follow-up, would be charged to a specific project code.
- **Recruiting (407).** Use for time spent on activities related to recruiting new OIA employees, such as drafting employment notices and conducting interviews with job candidates.
- **Testimony preparation and delivery (408).** Use for time spent delivering or preparing congressional testimony.
- **Annual audit planning (409).** Use for time spent on specific activities related to developing justifications for the annual plan and for time spent by staff assigned to coordinate assembly and production of the annual plan. Do not use for general research.
- **Quality assurance reviews (410).** Use for time spent on internal quality control reviews and on data calls/requests for information from external peer review teams.
- **Unassigned (411).** Use for time spent on tasks such as general research and file cleanup by staff members who are not assigned to a specific project for a short period. This time should be captured within this code, rather than forced into other codes, so that it can be managed.

14.18 Continuing Professional Education Tracking and Documentation

The continuing professional education tracking system contains a record of continuing professional education credits earned by OIA staff members over a 2-year measurement period. The 2-year measurement period is based on calendar years. The first year of each measurement period is an odd-numbered year and the second year an even-numbered year.

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Continuing professional education credits will be recorded only for courses and professional development conferences that are:

- completed;
- Yellow Book-eligible; and
- supported by adequate documentation.

Staff members are to scan and upload a copy of course certificates of completion to the individual staff member's continuing professional education folder on TIGNet. Each certificate must be accompanied by a Yellow Book Continuing Professional Education Credit Form that is (1) filled out in its entirety, (2) specifies the number of hours and type of continuing professional education to be credited, and (3) signed by the employee's supervisor. There are no exceptions to these requirements. The course certificate and the completed Yellow Book Continuing Professional Education Credit Form should be uploaded as one file and the file name used should be the course title. Click [here](#) for the Yellow Book Continuing Professional Education Credit Form. Additionally, staff members are to email the OIA continuing professional education coordinator the completed Yellow Book Continuing Professional Education Form. The coordinator will record the staff member's training dates, course title, title of training, training vendor, and continuing professional education hours earned on the continuing professional education tracking spreadsheet in TIGNet.

The following is the hierarchy of documentation considered acceptable for obtaining continuing professional education credits:

- Whenever possible, trainees should upload a course or conference certificate of completion issued by a *recognized* training vendor or organization showing the (1) trainee's name, (2) title of the course or conference, (3) training or conference dates, and (4) continuing professional education hours (or equivalent measure completed). The Yellow Book also requires that the documentation include a brief description of the training contents. Therefore, the course syllabus or conference agenda should also be attached.

OR

- Trainees unable to provide the continuing professional education documentation described above should instead provide an approved SF-132 Training

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Auditors certified by their supervisor that the training was completed. The SF-182 should, at a minimum, identify the trainer, vendor, title of the course or conference, and training dates. To support the relevance of the course or conference to the trainee's professional development, there should be attached to the SF-182 (1) an explanation of why a course or conference certificate of completion is not available, (2) the course syllabus or conference agenda, and (3) the biography(s) of the instructor(s) or presenter(s). This form of documentation should be the exception, not the rule.

Audit directors should continually monitor the continuing professional education tracking system, which is a read-only file in TIGNet, to ensure that assigned staff members are meeting continuing professional education requirements and to plan for training needs. The Deputy Assistant Inspector General for Audit, Assistant Inspector General for Audit, and Office of Audit Operations will also review the summary information at critical points of the measurement period to ensure that OA is in overall compliance with training requirements.

Chapter 15 of this manual contains more OA policy regarding compliance with the Yellow Book for professional development.

14.17 Office Safety Exercises

OA safety exercises are coordinated through the Director of Audit Operations, in conjunction with the OIG Office of Management. All information about the exercises will be provided to directors either through staff meetings or through email. The Office of Audit Operations is responsible for providing complete information on the date, time, and nature of safety exercises.

14.18 Coordinating Group Training Events

Group training events for OIG audit staff members will be coordinated through the Office of Audit Operations. This coordination process will include input from the Assistant Inspector General for Audit and the Deputy Assistant Inspector General for Audit.

CHAPTER 15.D—PROFESSIONAL DEVELOPMENT

15.D Purpose

This chapter identifies requirements and procedures for OA staff member compliance with the Yellow Book for professional development.

15.D Policy

It is OA policy to comply with the Yellow Book related to continuing professional education. The continuing education standards are discussed in Section 3.6.3 of this manual. Adherence to continuing professional education policy is a shared responsibility of OA senior management, audit managers, and staff members.

15.3 Continuing Professional Education

When planning training and related budget requests and approving staff member requests for specific training, audit directors are to give priority to

- Eligible training requests that go toward meeting the Yellow Book continuing professional education requirements
- Training that both meets professional development needs of staff members and of OA as a whole

The following is general guidance on the types of training that OA employees should take based on the stage of their career or on their function:

- Early career. Generally, entry-level auditors and program analysts should attend an introductory auditor course offered by the CIGIE Training Institute if timely available or a commercial vendor, during their first year of employment in OA. Other courses considered critical for newer auditors and program analysts include (1) interviewing skills, (2) writing, (3) fundamentals of information systems general and application controls, (4) statistical sampling, and (5) fraud awareness.
- Midcareer. For staff members through grade 12, training should focus on improving skills in (1) data analysis using computer programs, (2) audit supervision, (3) report writing, and (4) briefing techniques.

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- **Financial auditors.** Basic training for financial auditors can include courses in financial auditing, *Internal Accounting Standards*, the U.S. Government Standard General Ledger, budgetary accounting, and the GAO *Federal Information Systems Controls Audit Manual*. Because OIA financial audits are generally contracted out, OIA financial auditors assigned to oversee these audits should complete the basic contracting officer's representative class sponsored by the Treasury Acquisition Institute and refresher courses to maintain their contracting officer's representative certificates.
- **Information technology auditors.** For information technology auditors, training should focus on specialized courses to maintain skills in information technology. Because such training can be very expensive and technological advances occur rapidly, specialized training should be scheduled as close in time as possible to planned information technology audit work.
- **Supervisors.** For staff members newly promoted to supervisory auditor positions, training in federal personnel rules and equal employment opportunity should be scheduled as soon as possible after their promotion. Periodic refresher courses in equal employment opportunity should be considered for all supervisors because case law in this area is continuously evolving. Supervisors should also be trained periodically in courses designed to improve management skills. A number of course offerings are available through the Office of Personnel Management and the Treasury Executive Institute.

15.4 Individual Development Plans

OIA policy requires that all OIA employees prepare an individual development plan annually (click [here](#) for individual development plan template). Individual development plans:

- provide an opportunity for supervisors and employees to discuss opportunities for professional development through formal training and varied work assignments; and
- serve as the blueprint for assuring that each individual working on audits meets Yellow Book continuing professional education requirements.

Employees' individual development plans should be prepared and discussed with supervisors by December 31 of each year. The due date for individual development plans is tied to coincide with OIA's continuing professional education reporting period. During the year, employees and their supervisors should periodically review progress

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toward fulfilling the individual development plan. Individual development plan and related discussions are not part of the performance evaluation process.

Key considerations in preparing an individual development plan include the employee's

- near-term audit assignments;
- professional background, including position, grade, training, education, and experience; and
- individual professional development interests.

Employees' ability to take formal training is always subject to the availability of training funds. In addition, training priorities may shift during the period covered by any individual development plan with the emergence of training needs not anticipated when the plan was prepared.

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ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
CIGIE	Council on the Inspectors General on Integrity and Efficiency
FISMA	Federal Information Security Management Act of 2002
GAO	Government Accountability Office
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
NFR	Notification of Finding and Recommendation
OA	Office of Audit
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
PDF	portable document format
®	Registered trademark
Treasury	Department of the Treasury