Quality Assurance Report: Assessing the Quality of the Independent Referencing Process During Fiscal Year 2011

Report No. 12-N-0416   **April 19, 2012**

Report Contributor: Wanda M. Arrington

Abbreviations

AIG	Assistant Inspector General
DIG	Deputy Inspector General
EPA	U.S. Environmental Protection Agency
FY	Fiscal year
GAGAS	Generally accepted government auditing standards
OA	Office of Audit
OIG	Office of Inspector General
OMS	Office of Mission Systems
OPE	Office of Program Evaluation
PLD	Product Line Director
PM	Project Manager
QA	Quality Assurance

At a Glance

Why We Did This Review

To assess the quality of the Office of Inspector General (OIG) independent referencing process, we surveyed Project Managers (PMs) and their respective Product Line Directors (PLDs). The survey addressed consistency among the Quality Assurance (QA) staff, timeliness of the reviews, best practices, and areas of improvement.

Background

OIG Policy 006 states that the quality of all worked performed by the OIG significantly impacts our credibility and effectiveness in performing oversight functions of U.S. Environmental Protection Agency programs and activities. Report indexes are reviewed (i.e., referenced) to provide reasonable assurance that OIG reports are factually supported in terms of sufficiency, competency, and relevancy of evidential matter. Referencing provides reasonable assurance that the reports comply with generally accepted government auditing standards.

For further information, contact our Office of Congressional and Public Affairs at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2012/ 20120419-12-N-0416.pdf

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What We Found

Overall, the majority of PLDs/PMs who responded to our survey believe that the independent referencing process is effective and efficient, and works well. The respondents believe the referencers are consistent in the independent referencing process. In addition, they believe the referencing process was timely once the review began. Nonetheless, recommendations and opportunities for improvements were identified by the PLDs/PMs.

What We Recommend

We made several recommendations to improve consistency and timeliness in the referencing process. The QA staff agreed with most of the recommendations. However, the QA staff did not agree with recommendations where they believed independence would be compromised.

April 19, 2012

MEMORANDUM

SUBJECT: Quality Assurance Report:
Assessing the Quality of the Independent Referencing Process
During Fiscal Year 2011
Report No. 12-N-0416

FROM: Wanda M. Arrington, Project Manager/Lead Auditor
Quality Assurance Staff (on Detail)
Immediate Office

TO: Arthur A. Elkins, Jr.
Inspector General

Attached is the report on assessing the quality of the Office of Inspector General's independent referencing process for reports issued during fiscal year 2011. This report makes observations and recommendations to you that will continue to enhance and strengthen the referencing process.

If you have any questions regarding this report and planned corrective actions, please contact me at (202) 566-2533.

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Purpose

To assess the quality of the U.S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) independent referencing process, we conducted a survey of Project Managers (PMs) and their respective Product Line Directors (PLDs). The survey addressed consistency among the Quality Assurance (QA) staff (i.e., referencers) and timeliness of the reviews. Suggestions for areas of improvement were also identified.

Background

As stated in OIG Policy 006, the quality of all worked performed by the OIG significantly impacts our credibility and effectiveness in performing oversight functions of EPA programs and activities. One operational activity performed to help fulfill and verify the requirements of quality is referencing. Referencing entails reviewing the workpaper support identified through indexes for correctness to ensure the quality and accuracy of OIG reports. Report indexes are reviewed to provide reasonable assurance that OIG reports are factually supported in terms of sufficiency, competency, and relevancy of evidential matter. Referencing of OIG audit and evaluation products provides reasonable assurance that they comply with generally accepted government auditing standards (GAGAS).

OIG Procedure 006 outlines the referencing standard operating procedures. According to OIG Procedure 006, PLDs/PMs should expect the referencing review (from start through the clearance of comments) to take approximately 10 business days from when the referencer notifies the PLD/PM that the review is about to commence. The referencing review of a final report will usually take approximately 2 business days (assuming there are only a minor number of changes between the draft and final). However, depending upon the length of the Agency response and the corresponding OIG analysis, the referencing review of a final report could take up to 5 business days.

Scope and Methodology

We conducted a survey with selected PMs and their respective PLDs to maintain consistent questioning and identify positive and negative practices within the referencing process. Our scope covered reports issued by the Office of Audit (OA), Office of Program Evaluation (OPE), and Office of Mission Systems (OMS) during fiscal year (FY) 2011. The scope of work performed does not constitute an audit under GAGAS.

The PMs were selected for this survey if they had at least one report issued in FY 2011 that was independently referenced by each member of the QA staff (i.e., three or more reports). A total of six PMs and the five corresponding PLDs from OA and OPE participated in this survey. We did not identify any PMs from

OMS meeting the criteria. The survey covered 21 of the 81 (26 percent) reports reviewed by the QA staff during FY 2011. For a breakdown of survey selection, see appendix A.

Results of Review

Overall, the majority of PLDs/PMs believe the independent referencing process is effective and efficient, and works well. The respondents believe the referencers were consistent in the independent referencing process. In addition, they believe the referencing process was timely once the review began. Nonetheless, recommendations and areas of improvement were identified regarding consistency and timeliness.

Consistency of Reviews

Seventy-three percent (8 out of 11) of the respondents believed the referencers were consistent with the types of comments made. Respondents also believe that the referencing comments were readily understood and clear, and that they could always talk with the referencers to obtain clarification. Overall, respondents believe the referencers consistently responded in a professional and respectful manner, and complied with OIG policies and procedures, as shown in figure 1.

Figure 1: PLD/PM survey responses—consistency of reviews
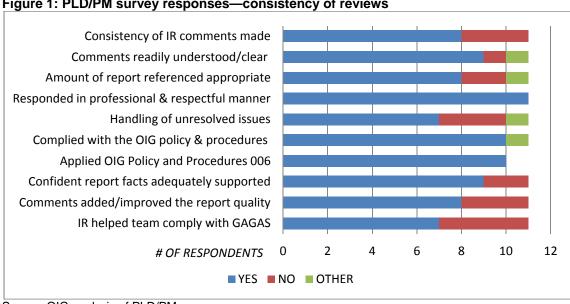

Source: OIG analysis of PLD/PM survey responses.

The following summarizes the PLD/PM feedback on the consistency in the independent referencing process:

- Even though a majority of the PLDs/PMs believe there was consistency in the types of referencing comments made, there was an overwhelming consensus that there are some differences in the style or approach among

the referencers and how they handle unresolved issues. However, many acknowledged that differences are to be expected based on individuality or personality (e.g., some were more thorough and tougher to clear comments; some were more flexible).
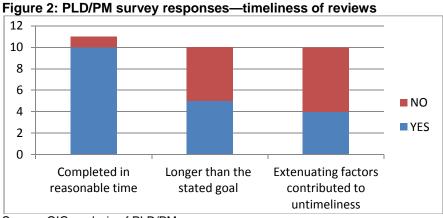
- There was a difference in the type of indexing the referencers expected to see in workpaper support (e.g., indexing a spreadsheet). Referencing comments appeared to be based on preference rather than unsupported or incorrect information in the report, and a subjective interpretation of sufficient and appropriate evidence for findings and recommendations in the report.

- Referencing comments went beyond the scope of determining whether the report was adequately supported by the indexed workpapers. Referencing comments were editorial and questioned the scope of work, execution of steps, or approach taken.

- Instead of documenting every referencing comment, some referencers call the PLD/PM to discuss an issue beforehand to obtain clarity, which they liked.

- Some respondents do not believe an appropriate amount of the report was referenced. One respondent said the referencers spend too much time referencing and review too much, which the respondent believes is outside the scope of referencing. The teams have a tendency to provide more detailed indexing with the hope of reducing the number of referencing comments, which does not appear to help. Another respondent said the referencers spent a disproportionate amount of time on a short letter report compared to other reports. Another responded that although it is not transparent what the referencer looked at, nothing of significance was missed during the independent referencing process.

- Even though respondents believe the referencers complied with OIG policies and procedures, a couple of respondents thought the policies and procedures were general, not clear and detailed, and inconsistent with the role of independent referencing. OIG referencing is much broader and includes more than just checking workpaper support. It includes checking sampling criteria and methodology, workpaper supervisory review, and workpaper content (e.g., purpose, source, scope, conclusion), which respondents said are the responsibility of the team, PM, PLD, and Assistant Inspector General (AIG)—not the referencers.

- After going through the independent referencing process, some respondents felt confident that the facts in their reports were adequately supported and the quality of their reports was improved. One respondent

said that this control process is valuable and needed. Another said it is good to get someone who has not been involved in the assignment to independently look at the evidence with a critical and skeptical eye. The respondent likes the idea of an independent group referencing reports compared to how we used to obtain staff for referencing. However, other respondents questioned the cost benefit of the process, and did not believe the time and money spent on some reports was worth the added value or that the process was necessary.

- There were varying opinions about whether independent referencing helped the team comply with GAGAS. Approximately half of the respondents said that the team complied with GAGAS prior to the independent referencing process. They described the independent referencing process as an internal control to provide assurance that the report is supported and in compliance. One respondent said that the current process adds tremendously more value in content and substance compared to the previous referencing process when a GS-13 was referencing a report.

Timeliness of Reviews

Ten out of 11 respondents believed that the referencing was completed within a reasonable amount of time given the size and complexity of the report, as illustrated in figure 2. However, some respondents expressed that after the report was submitted to the QA staff for referencing, the wait time was too long (i.e., "in the queue") before a referencer started reviewing their report. Some respondents were sympathetic and acknowledged the QA staff workload. One respondent believed that bringing in staff to assist the QA staff with their workload will help resolve this delay.

Figure 2: PLD/PM survey responses—timeliness of reviews

Source: OIG analysis of PLD/PM survey responses.

In addition, based on the survey:

- **5 out of 10** respondents said the time for referencing the report was longer than the goal stated in OIG Policy and Procedure 006, which is 10 business days for the draft report and 2 days for the final report.

- **4 out of 10** acknowledged that there were extenuating factors that contributed to the referencing not being completed within the stated goal. As previously mentioned, the referencers' large workload was a contributor. In addition, the length and complexity of the reports and resolution of comments were factors.

Best Practices

Seventy percent (7 out of 10 respondents) believe that the independent referencing process is effective, efficient, and works well. Some things that work well according to these PLDs/PMs include:

- Having the opportunity to discuss issues with the referencer before the comments were documented.

- Communication, accessibility (before and during the independent referencing process), and resolution (e.g., providing options or suggestions). The referencers provided feedback to the managers so they understood the nature and types of issues. They were willing to discuss comments and explain their positions. In addition, the referencers, in some cases, provided suggestions to address the comments or what they believed could be done to remedy the referencer comment.

- Appropriate priority being placed on getting the referencing done quickly, and the referencer working well with the team to resolve any issues.

- The objectivity of the referencers and clarity of their comments.

Thirty percent (3 out of 10 respondents) believed that the process was not effective and/or efficient. These respondents' verbatim comments were:

- "It is effective because it is added assurance that what is in the report is supported. But it is not efficient because everything is duplicative going through at least four or five levels of review. You have the team indexes, PM, PLD, & QA checking indexes, there's editing, DIG/AIGA review, legal, etc."

- "The time required for the teams to get ready for independent referencing and the time spent independent referencing indicate inefficiency."

- "The current process slows down issuing reports because the majority of the comments appear to be based on subjective preference rather than substantive issues with lack of support. Addressing these comments delays issuing the report. In addition, teams spend additional time indexing the report prior to submitting the report to QA by attempting to over index and avoid unnecessary independent referencing comments."

Appendix 1 provides a complete breakdown of PLD/PM survey results.

Areas of Improvement

The respondents provided many recommendations for improving the independent referencing process. When suggestions for improvements were identified by more than one PLD/PM, they were included as recommendations addressing consistency (recommendations 1 through 5) and timeliness (recommendations 6-8). Improvements to the independent referencing process identified by only one PLD or PM did not warrant elevation to a recommendation, but are included as other considerations for improvement.

Recommendations

1. Provide guidance to OIG staff on indexing workpapers to support the audit/evaluation reports.

2. Limit the scope of the referencing review to determine solely whether the indexing reasonably supports the audit/evaluation report.

3. Communicate with the PLD/PM, as needed, during the referencing process for clarification before providing referencing comments.

4. Provide suggestions or alternatives for addressing referencing comments.

5. Revise the descriptions of Agency agreement with findings and actions on Agency responses.

6. Get involved earlier in the assignments to improve the quality during preliminary research and field work; identify earlier who the assigned referencer will be; and meet with the team before referencing starts to understand the subject matter of the report.

7. Reduce the "wait time" before referencing begins and start reviewing the report shortly after it is submitted for independent referencing.

8. Encourage teams to submit the indexed audit/evaluation report in manageable sections for referencing, and provide referencing comments daily to the team to improve efficiency and productivity.

QA Team's Response to Recommendations

We appreciate all feedback received from the PLDs/PMs for this survey and plan to address the areas for improvements identified. Referencing is a valuable control, and we want to continue to improve the efficiency of this process.

1. We agree to provide indexing tips and post to the Auditor's Corner on the OIG Intranet site http://oigintra.epa.gov/auditors_corner.cfm within 45 days from report issuance. Indexing tips are also included in the Project Management Handbook.

2. We appreciate the comments on the scope of the review. OIG Policy and Procedure 006 already address this recommendation. Both the Policy and Procedure 006 were reviewed by the AIGs and approved by the Inspector General. In accordance with OIG Policy and Procedure 006, the QA team performs selective referencing of the audit/evaluation report. However, we are mandated by the *Government Auditing Standards* and OIG policy to perform quality assurance. Part of this function is accomplished through the referencing process. According to the standards, referencing is a quality control process to ensure the accuracy of reports. In addition, the standards state, "Referencing is a process in which an experienced auditor who is independent of the audit checks that statements of facts, figures, and dates are correctly reported, that the findings are adequately supported by the evidence in the audit documentation, and that the conclusions and recommendations flow logically from the evidence." As outlined in Policy and Procedure 006, referencing encompasses more than just verification of facts. The QA staff will continue to include comments that improve the quality of the report.

3. We will continue to contact the PLD/PM on an as needed basis to obtain clarification. In addition, we continue to encourage the PLD/PM to contact the referencers if there are special considerations that should be brought to their attention.

4. We agree that providing suggestions can speed up the process; however, we need to assure that QA staff maintains their independence. When possible, the QA staff will attempt to offer suggestions for quick resolution, such as providing alternative supporting workpapers or language consistent with the workpaper support.

5. We agree that the descriptions of Agency agreement with findings and actions taken need revision and clarification. We are currently addressing this issue as part of the 2750 workgroup, and the decision will be shared with the OIG when the issue is resolved.

6. We do not believe it is appropriate, from an independence perspective, to be involved at the onset of an assignment. However, we are always available and willing to answer any questions from OIG staff and provide suggestions for improving the indexing to workpapers supporting the report. Referencers are assigned to review reports based on when they become available; therefore, it is not feasible or prudent to assign a referencer earlier. We encourage OIG staff to inform us in advance of special circumstances such as date mandated reports to better facilitate the referencing review. In addition, occasionally the QA team may contact the team at the start of referencing to identify any unique qualities about the assignment and report.

7. We agree there is an opportunity for efficiency by reducing the wait time before we start referencing the report. We appreciate and take very seriously your concerns in this area. We are conscious of the wait time and will continue to make every effort to get the reports done as quickly as possible, given all other priorities.

8. We continue to encourage teams to submit complete, indexed reports in manageable sections to allow concurrent referencing review of one section and addressing referencer comments in another, as stated in OIG Procedure 006. Where we can, we also notify the team that we are out of the workpapers for the day so that the team's responses can be added to the workpapers. Some teams also prepare responses that they can just cut and paste in the workpapers on a daily basis when the referencer is finished or has completed his or her review of the workpaper. Breaking up the reports into sections may also assist in teams being able to respond more timely to referencer comments.

Other Considerations

1. Have at least one QA team member working, when feasible, to ensure sufficient coverage for referencing reviews.

2. Streamline the referencing process and establish different levels of referencing reviews based on report type or subject matter significance.

3. Eliminate independent referencing of the final report if there are no significant changes, and allow minor changes to be reviewed at the PLD level.

4. Obtain more staff to assist with the QA team's workload.

Summary of QA Team's Response to Other Considerations

In response to consideration 1, we make every effort to have at least one QA team member working. When fellow team members are either on leave and/or in training, another referencer will complete assigned work as long as we are informed. Reports or questions should be addressed to the OIG Referencers mailbox, which includes all referencers. Rare or extenuating circumstances affecting availability exist, such as inclement weather, all QA staff may be in training, leave during the holidays, or illness.

In response to considerations 2 and 3, we believe the signing of OIG Policy and Procedure 006 has provided the OIG with structure for referencing reviews. Streamlining the referencing process by establishing different levels of review and not reviewing the final report, even if there are no substantial changes, are not feasible alternatives. The referencers are responsible for assuring GAGAS compliance, to include the accuracy and quality of our written products regardless of the subject matter, size or type of report, or intended audience. Generally, all reports are posted on the OIG website for public viewing; therefore, it is imperative that we assure factual accuracy and adequate support of all reports.

In response to consideration 4, for the immediate future, we have obtained three detailed OIG staff to assist with the QA workload. We recently obtained an additional three detailed OIG staff to assist with the external audit peer review we will be conducting this year. However, we do not have the authority to hire additional staff; therefore, we cannot provide a response on acquiring additional and/or permanent staff for the QA team. We encourage staff to participate in all detail opportunities with the QA team.

We consider our actions as satisfying the intent of the recommendations and other considerations.

PLD/PM Survey Responses

Questions	PLD/PMs Responses					
	Yes		No		Other Response	
Do you believe the QA staff was consistent with the types of IR comments made on your report (i.e., did they provide similar comments during the IR process)?	8	73%	3	27%		
Do you believe the IR comments were readily understood or clear?	9	82%	1	9%	Yes & No - 1	9%
Do you believe an appropriate amount of the report was referenced?	8	73%	2	18%	Yes & No - 1	9%
Do you believe the QA staff was consistent in responding in a professional and respectful manner?	11	100%	0	0%		
Do you believe the QA staff was consistent in handling unresolved issues?	7	64%	3	27%	Don't Recall - 1	9%
Do you believe the QA staff complied with the OIG policy and procedures?	10	91%	0	0%	Probably - 1	9%
Do you believe they were consistent in applying OIG Policy and Procedures 006 during the IR review process? [1]	10	100%	0	0%		
After going through the IR process, do you feel more confident that the facts in your report(s) were adequately supported?	9	82%	2	18%		
Do you believe the IR comments added to or improved the quality of your report(s)?	8	73%	3	27%		
Does the independent referencing help the team comply with GAGAS?	7	64%	4	36%		
Do you believe the independent referencing was completed within a reasonable amount of time (given the size and complexity of your report)?	10	91%	1	9%		
Was the time for referencing your report longer than the goal stated in OIG Policy & Procedures 006? [1]	5	50%	5	50%		
Were there any extenuating factors that contributed to the referencing not being completed within the aforementioned time? [1]	4	40%	6	60%		
Do you believe the IR process is effective and efficient? [1]	7	70%	3	30%		
Do you believe the IR process worked well? [1]	7	70%	3	30%		
Are there any areas during the IR process where you believe the QA staff could be more consistent in their review? [1]	5	50%	5	50%		
Is there anything that could improve in the process to lessen the burden on your team? [1]	9	90%	1	10%		

[1] PLD did not answer the question and/or deferred to PMs who were better equipped to respond since the PLD had delegated most of the responsibility to the PMs.

Total Reports (21)	PM Breakdown (6)
15 - OA	4 - OA
6 - OPE	2 - OPE
0 - OMS	0 - OMS