



OFFICE OF THE INSPECTOR GENERAL

Catalyst for Improving the Environment

FY 2005 Quality Assurance Report

Report on Compliance with Government Auditing Standards

November 9, 2005

Report Contributors:

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Abbreviations

AIG	Assistant Inspector General
FTE	Full Time Equivalent
GAO	Government Accountability Office
GAGAS	Generally Accepted Government Auditing Standards
GAS	Government Auditing Standards
ICR	Information Collection Request
OA	Office of Audit
OCPL	Office of Congressional and Public Liaison
OMB	Office of Management and Budget
OPE	Office of Program Evaluation
PCIE	President's Council on Integrity and Efficiency
PRA	Paperwork Reduction Act
QAR	Quality Assurance Review



At a Glance

Catalyst for Improving the Environment

FY 2005 Quality Assurance Report

Why We Did This Review

We conducted the QAR of sampled EPA OIG audit, evaluation and public liaison operations to determine whether overall product quality was consistent and in compliance with Government Auditing Standards, OIG policies and procedures, and other applicable guidance.

Background

Government Auditing Standards require, "Each audit organization performing audits and/or attestation engagements in accordance with GAGAS should have an appropriate internal quality control system in place..." Part of EPA OIG's Quality Assurance System includes conducting Quality Assurance Reviews of its work products. EPA OIG's Quality Assurance System encompasses its organizational structure and the policies and procedures established to provide it with reasonable assurance of complying with *Government Auditing Standards*. EPA OIG is responsible for the design of its quality assurance system and compliance with it, including the quality of its products.

What We Found

Our Quality Assurance Review (QAR) judgmentally sampled 13 assignments from a total of 48 work products issued by the Office of Inspector General (OIG) during fiscal 2004. We did not include single audit reports or DCAA contract reports. Our sample represented different types of OIG work including performance audits, evaluations, an attestation engagement, financial-related audits, and special reviews. This QAR did not include the "Audit of EPA's Fiscal 2004 and 2003 Financial Statements" which will be reviewed and reported on separately. Our field work was conducted between January and August 2005.

The QAR of OIG work products found that the work performed generally complied with applicable Government Auditing Standards, OIG policies and procedures, and other guidance. We found no personal impairments to independence; staff met professional education requirements and continuing professional education is being documented in the OIG's Training Information System II. However, we identified the following opportunities for improving quality within the OIG. Although none of these issues affected our overall conclusion, we believe they should receive vigilant management attention.

- Sufficient information needs to be available in the working papers to determine whether or not significant facts, conclusions and judgments are supported in the report.
- Managers should verify and certify that management control reviews are specifically addressed and documented when these controls are relevant to assignment objectives.
- Some elements of the OIG Internal Control System should be improved.
- The requirements for collecting information from non-federal respondents should be consistently applied in compliance with the Paperwork Reduction Act.

What We Recommend

- Issue detailed written guidance on evidence, working paper format and cross-referencing procedures while providing additional training.
- Emphasize the importance of reviewing management controls and documenting the review when controls are relevant to assignment objectives.
- Implement annual quality assurance reviews as required by OIG policy and changes to OMB Circular A-123.
- Inform or train staff about the Paperwork Reduction Act and requirements for Information Collection Requests.

The Offices of Audit, Program Evaluation and Congressional and Public Liaison generally agreed with the recommendations. We made revisions when appropriate.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

November 9, 2005

MEMORANDUM

SUBJECT: Final FY 2005 Quality Assurance Report

FROM: Howard Cantor/s/ *Michael Binder* for
Acting Assistant Inspector General
Office of Planning, Analysis and Results

TO: Nikki L. Tinsley
Inspector General

Attached is the final report of the Quality Assurance Review (QAR). Our review of 13 Office of Inspector (OIG) work products (see Appendix B) completed in fiscal 2004 found that the work performed generally complied with applicable Government Auditing Standards (GAS), OIG policies and procedures, and other guidance.

We issued our draft report on September 14, 2005. On October 28, 2005 we received a consolidated response from the Assistant Inspectors General for Audit, Program Evaluation and Congressional and Public Liaison. We reviewed the consolidate response and found it responsive to our recommendations. The response outlined corrective actions that have or will be initiated in all the required areas. We believe the implementation of these corrective actions will have a positive effect on improving OIG operations. These corrective actions will be tracked in the quarterly Management Action Plan. We have incorporated the consolidated response throughout the report, after the related report recommendations.

Our report described the following opportunities for improving quality within the OIG, none of which affected our overall conclusion:

- Sufficient information needs to be available in the working papers to determine whether or not significant facts, conclusions and judgments are supported in the report.
- Managers should verify and certify that management control reviews are specifically addressed and documented when these controls are relevant to assignment objectives.
- Some elements of the OIG Internal Control System should be improved.
- The requirements for collecting information from non-federal respondents should be consistently applied in compliance with the Paperwork Reduction Act.

We appreciate the assistance and input provided by the Assistant Inspectors General and their Deputies, Product Line Directors, Assignment Managers and Teams. Their cooperation and input contributed significantly to our review. Under a separate cover we will provide a report on the QAR of the "Audit of EPA's Fiscal 2004 and 2003 Financial Statements." If you have any questions regarding the attached report, please contact me at 202-566-2649 or Deborah Heckman at 202-566-2643.

cc: Deputy Inspectors General
Assistant Inspectors General
Deputy, Assistant Inspectors General
Product Line Directors

FY 2005 Quality Assurance Review

Purpose

The purpose of the Quality Assurance Review (QAR) of EPA Office of Inspector General (OIG) audit, evaluation and public liaison operations was to determine whether selected work complied with Government Auditing Standards (GAS) contained in the Government Accountability Office (GAO) “Yellow Book” (July 1999 revision), OIG policies and procedures, and other applicable guidance. Our QAR judgmentally sampled 13 assignments from a total of 48 work products issued by the OIG from October 1, 2003 to September 30, 2004. We did not include single audit reports or DCAA contract audit reports. Our sample represented different types of OIG work including performance audits, program evaluations, an attestation engagement, financial-related audits, and special reviews. This QAR did not include the “Audit of EPA’s Fiscal 2004 and 2003 Financial Statements” which will be reviewed and reported on separately. Our field work was conducted between January and August 2005. (See Appendix A for a detailed discussion of Scope and Methodology).

Summary of Results

Our review found that the work performed generally complied with applicable GAS, OIG policies and procedures, and other guidance. We found no personal impairments to independence; staff met professional education requirements and continuing professional education is being documented in the OIG’s Training Information System II.

We identified the following opportunities for improving quality within the OIG (See Appendix C). Although none of these issues affected our overall conclusion, we believe they should receive vigilant management attention.

- Sufficient information needs to be available in the working papers to determine whether or not significant facts, conclusions and judgments are supported in the report.
- Managers should verify and certify that management control reviews are specifically addressed and documented when these controls are relevant to assignment objectives.
- Some elements of the OIG Internal Control System should be improved.
- The requirements for collecting information from non-federal respondents should be consistently applied in compliance with the Paperwork Reduction Act.

We reviewed the consolidated response and found it responsive to our recommendations. The response outlined corrective actions that have or will be initiated in all the required areas. We believe the implementation of these corrective actions will have a positive effect on improving OIG operations. We have incorporated (italic text) the consolidated response throughout the report, after related recommendations.

Sufficient Information Was Not Always Available

In 7 of 13 reports reviewed, sufficient information was not always available to determine whether or not significant facts, conclusions and judgments were supported by the working papers. While the information was not always available, it did not impact the overall report conclusions. Without this documentation the overall quality of the work could be questioned.

Evidence
Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditors' findings and conclusions. A record of the auditors' work should be retained in the form of working papers. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments. <p style="text-align: right;"><i>GAS 1999 Revision</i></p>

- Significant facts, conclusions and judgments were cross referenced to conclusions in working papers which were not indexed to primary sources of evidence for support. (2/13 products)
- Cross referencing to source documents for key issues was limited and difficult to follow, and this made it difficult to trace and reconcile assignment results and understand support for conclusions. (6/13)
- Information in the final version of the report was not cross referenced. (6/13)
- Cross referencing to the wrong working paper was not identified by the independent referencer. (1/13)

Congress has recently placed an increased emphasis on ensuring the quality of information in the Federal government. EPA's Office of Inspector General, along with other OIGs, has a long-standing commitment to the quality of information it disseminates. OIG procedures for quality control over information in its reports are based on GAS for Evidence.

Data Quality Act <i>Section 515 of Public Law 106-554</i>
Congress directed OMB to issue government-wide guidelines that "provide policy and procedural guidance to Federal agencies for ensuring and maximizing the quality, objectivity, utility, and integrity of information (including statistical information) disseminated by Federal agencies...."

If cross referencing and working papers are not prepared properly, internal and external reviewers will be unable to ascertain the evidence that supports significant conclusions and judgments in some OIG reports. GAS emphasizes the importance of working papers enabling "others to review the audit's quality....because audits done in accordance with GAS often are subject to review by other auditors and by oversight officials." In addition, EPA OIG working papers are sometimes reviewed by members of the general public.

We believe a significant reason that sufficient information or consistent guidance was not always available to ensure that its audit findings and conclusions were supported by sufficient, competent and relevant evidence is that the EPA OIG controls (Project Management Handbook, supervisory review and independent referencing) need strengthening. In response to this issue, the *Office of Program Evaluation* has begun to develop a mandatory referencing class for all staff.

Recommendations:

We recommend that the Assistant Inspectors General for Audit, Program Evaluation, and Congressional and Public Liaison:

- Provide additional formal and on-the-job training on procedures for following Standards for Evidence.

OPE/OCPL/OA Response

The OIG “All Hands” meeting in December 2005 will contain a session on this Quality Assurance Review. We encourage OPAR to discuss the results of this review, including Yellow Book guidance on “evidence” and the need for OIG teams to consider the type of evidence necessary to support assignment objectives. We will also revise the Project Management Handbook (Handbook) section on Working Papers in Chapter 5 to provide a brief discussion on evidence, and as recommended, we will enhance the Handbook by inserting links to applicable Yellow Book sections. OPE is developing a mandatory referencing class for all of its staff, which will also address standards of evidence as well as the responsibility of the referencer to determine whether the assignment team has gathered sufficient evidence to support the report.

- Issue detailed written guidance specifically addressing:
 - ✓ The difference between an OIG conclusion and primary sources of information,

OPE/OCPL/OA Response

Item # 6 on page 39 of the Handbook states as follows:

The referencer should not accept summary working papers when primary sources are available. Summary working papers are to be cross-referenced back to the primary source. Further, the source of the data should be clearly indicated on the primary working paper. Internally generated OIG summary working papers need to be cross-referenced to the original source from which data was obtained.

Item # 5 on page 40 of the Handbook states in part:

Determine whether opinions and conclusions stated in the body of the document are reasonable and consistent with facts presented in the document and working papers.

In our view, these sections, when taken together, direct assignment teams to appropriately cross reference conclusions, including cross referencing summary working papers to primary source documents and for the referencer to ensure sufficient support exists for OIG conclusions. In addition, these issues will be covered in the OPE referencing class. Accordingly, we believe additional detailed written guidance is not warranted at this time.

OAR Response

As discussed in our exit briefing, the best discussion of evidence standards is in an appendix in the Project Management Handbook on Independent Referencing. Staff searching for guidance on this standard might not think to look in the appendix on independent referencing. We believe that information on evidence standards should be moved into the field work section of the Handbook. The independent referencing appendix could then simply reference evidence standards in the field work chapter. In addition, a definition of “primary source of information” should be provided that states the source must be external to the OIG.

- ✓ Standard working paper format and cross-referencing procedures, and

OPE/OCPL/OA Response

We will discuss with the Office of Mission Systems the feasibility of inserting sections for Purpose, Source, Scope, and Conclusion into Auto Audit working papers. Given the variability of OIG assignments, we believe that standard cross referencing procedures are not warranted at this time.

- ✓ Standards of evidence.

OPE/OCPL/OA Response

See our comment fore (sic) the first recommendation in this section.

Management Control Reviews Not Specifically Addressed

Internal control and management control are synonymous terms. GAO’s Standards for Internal Control in the Federal Government (Nov. 1999) states “Internal control is a major part of managing an organization. It comprises the plans, methods, and objectives and, in doing so, supports performance-based management.” In 9 of 13 reports reviewed, we found one or more of the following issues related to reviews of management controls:

Understanding Management Controls

- ✓ Auditors should obtain an understanding of management controls that are relevant to the audit
- ✓ The scope of work on management controls must be reported

GAS 1999 Revision

- No write-up was in the working papers as to why a management control review was not performed. (2/13).
- Plans did not always specifically address management controls and include steps for reviewing identified management controls when these controls were relevant to assignment objectives. (4/13)
- Scope sections did not always specifically identify the scope of work on management controls. Some assignments have addressed issues relative to management controls, but plans and report scope sections did not clearly described the issues as management control issues. (6/13)

- Scope sections did not disclose that the reviews of management controls were limited. (3/13)

The OIG Project Management Handbook (Handbook), dated January 2005, requires the project guide to list internal controls to be reviewed and address internal control and compliance in the report. However, OIG guidance has neither emphasized the importance of reviewing management controls nor included steps on how to analyze or proceed. We believe the Handbook should

Suggested Criteria for Internal Control Reviews

- ✓ GAO's, *Standards for Internal Control in the Federal Government* (Nov. 1999)
- ✓ GAO's, *Internal Control Management and Evaluation Tool* (Aug. 2001)
- ✓ OMB's Circular A-123, *Management's Responsibility for Internal Control* (Rev. Dec. 2004)

require auditors/evaluators to base reviews of internal controls on GAO and OMB criteria (see text box). These criteria provide a systematic, organized, and structured approach to assessing an organization's internal control structure. We recognize that there is no "one-size-fits-all" solution to reviewing internal controls. Internal control reviews must be tailored to each and every audit or evaluation. Although there is no statutory or regulatory requirement to use GAO's guidance, it is helpful in determining how well an agency's internal controls are designed and functioning and what, where, and how improvements, when needed, may be implemented. Without emphasis and guidance on internal control reviews there is a risk of inadequate review of controls and a flawed report. In the case where a review of management controls is not relevant to assignment objectives, the report scope section, to be complete and in accordance with GAS, should explain why a management control review was not relevant.

Recommendation

We recommend that the Assistant Inspectors General for Audit, Program Evaluation, and Congressional and Public Liaison revise the OIG Project Management Handbook to include:

- A separate section on reviews of management controls emphasizing the importance of planning the review of management controls and documenting the controls being reviewed when they are relevant to assignment objectives;
- Detailed procedures for evaluating management controls including references to GAO's Standards for Internal Control in the Federal Government; OMB Circular A-123, Management's Responsibility for Internal Control; and GAO's Internal Control Management and Evaluation Tool;
- A line for completion of the management control review on the Quality Assurance Checklist;
- A requirement that the extent of work on management controls be reported in the scope section of the report and disclosure if the scope of review of management controls is limited; and
- A requirement that there be an explanation in the assignment plan and report scope section when a management control review is not relevant to assignment objectives.

OPE/OCPL/OA Response

We will revise the Project Management Handbook to include a separate section on the assignment team's responsibility to plan and conduct work related to management controls given

the assignment objectives. We will provide references to Yellow Book sections on management controls and other sources of guidance. We will also add a line to the Quality Assurance Checklist regarding the appropriateness of work done concerning management controls. OCPL will also enhance the Report Writing and Format Guide to provide additional guidance for describing the work done concerning management controls, and if such work is not germane to the assignment, we will say so in the scope and methodology section of the report. However, given the variability of our assignments, we do not plan to develop detailed procedures for evaluating management controls.

Elements of the OIG's Internal Control System Could Improve

Elements of EPA OIG's internal control system include policies, procedures and guidance; supervisory review; independent referencing; and monitoring through the use of QARs. Opportunities for improving internal controls in each of these elements were identified, as noted below.

Policies, Procedures and Guidance

OIG policies (17 %) and procedures (36%) were overdue for scheduled review, as of April 2005, to determine whether to reissue, revise or cancel these documents. Moreover, as noted in the previous sections of this report,

Quality Control System

An audit organization's system of quality control encompasses the audit organization's structure and the policies adopted and procedures established to provide the organization with reasonable assurance of complying with applicable standards governing audits and attestation engagements.

GAS 2003 revision 3.50

additional guidance and revisions to the Handbook are needed in several areas. Because the OIG evaluates how well agency programs and operations are functioning, we have a special responsibility to ensure that our own operations are as effective and consistent as possible. Internal control activities which include policies and procedures ensure that OIG objectives are met. Up-to-date policies, procedures and guidance would improve OIG operational effectiveness and quality.

As discussed previously, more detailed OIG guidance is needed on complying with GAS for Evidence and for planning and reporting on management control reviews. Additional guidance should also be provided on preparing project plans. In 8 out of 13 project plans reviewed, 2 or more OIG Handbook requirements for planning, e.g., illegal acts assessments, staffing decisions, and step milestones, were not included. Documenting planning for illegal acts assessments and staffing decisions are also GAS requirements. It was suggested to the QAR team that a planning template be provided in the OIG Handbook. The template could serve as an optional tool for ensuring all applicable required elements are included in assignment plans.

Guidance could also be improved to remind and enable teams to hold Project Review Meetings. In at least 7 out of 13 assignments reviewed, this meeting was not held. For some assignments, we were told that it would have been too difficult to hold the meeting because members of assignment teams were located too far apart and were no longer working together on the same assignment. The current requirement is for a Post Project Review Meeting to be held after the final report is issued. A solution might be to hold a Project Review Meeting before the final report is issued. In addition, the meeting requirement should be listed on the Quality Assurance Checklist as a reminder.

Supervisory Review

Monitoring work for quality and adherence to GAS was not always accomplished. In some cases, evidence in the working papers of supervisory review was minimal. Although supervisors and managers usually signed and dated reviews and approvals in Auto Audit, there was often an absence of working paper

review comments when they appeared warranted. We also noted that guidance for ensuring that auditors, evaluators, and others (including internal and external consultants and specialists) receive appropriate and effective supervision during the performance of the audit could be strengthened. Although several EPA OIG guidance documents address the requirements of GAS for supervision, the OIG does not have an overall (consolidated) policy on supervision.

Supervisory Review

- ✓ Provide sufficient guidance to staff.
- ✓ Stay informed about significant problems encountered.
- ✓ Review the work performed.
- ✓ Provide effective on-the-job training

GAS 1999 Revision. 6.23

Independent Referencing

According to the Handbook, “independent referencing is a quality control mechanism intended to check the accuracy and completeness of reported information. Independent referencing ensures that sufficient, competent, and relevant evidence exists in the working papers to afford a reasonable basis for reported findings and recommendations.” Although working papers may in fact contain “sufficient, competent, and relevant evidence,” an experienced, independent reviewer may not be able to ascertain the evidence supporting conclusions and judgments if independent referencing has not been done properly. We found

- Independent referencing process is not always ensuring that GAS and OIG policy for evidence are met. (3/13)
- Unreferenced facts and cross referencing errors in the work product were not discovered during the independent referencing process. (3/13)
- Working papers were accepted without supervisory review.(2/13)
- Oral explanations were accepted to support cross referencing yet the referenced working paper was not modified. (2/13)

Many issues we noted in this QAR could have been identified and corrected before OIG work product issuance.

We recognize that the OIG provided additional detailed guidance on independent referencing in the Project Management Handbook (2005 revision) and conducted training for audit and evaluation staff on the subject. However, some problems we identified are not addressed in this updated guidance. For example, report reviewing, editing, cross referencing, and independent referencing were not conducted in a sequence that ensured cross referencing and independent referencing processes were the last steps before the work product was issued to the Agency. We found that some draft reports were significantly revised after cross referencing and, as a result, support for facts and conclusions were very difficult or impossible to find. Guidance is needed to address this problem.

Quality Assurance Reviews

A significant element of the quality control system is the quality assurance review. A quality control system ensures consistent quality throughout the OIG. A well functioning quality control system allows the OIG to:

“Commitment to Quality is an important principle governing our work”

An Audit Quality Control System: Essential Elements, August 1993, GAO/OP-4.1.6.

- Meet *Government Auditing Standards*
- Lead by example
- Provide additional assurance to OIG Management
- Provide assurance to the Congress and the American people
- Continually enhance quality controls
- Learn from others and share knowledge and experience with others

OIG Policy No. 20, *The OIG Quality Assurance Program*, dated October 2002, states, “Reviews will be performed on an ongoing basis to provide comprehensive coverage of audit, evaluation, and investigative activities. Each key function must be reviewed annually.” In addition, changes to OMB Circular A-123, Management’s Responsibility for Internal Control (effective October 1, 2005) now require “continuous monitoring of internal controls...” However, QARs have not been performed on an ongoing basis to ensure that audit and evaluation activities are meeting Government Auditing Standards. This resulted because full time equivalents (FTEs) for performing QARs have been reduced from 2.8 FTEs in 2002 to approximately 1.2 FTE¹ in 2005. Since QARs are an element of the OIGs internal control system and OMB guidance has changed, a continuous quality assurance review program needs to be implemented.

Recommendations

We recommend that the Assistant Inspectors General for Audit, Program Evaluation, and Congressional and Public Liaison:

- Require that report reviewing, editing, cross referencing, and independent referencing are conducted in the proper sequence so that cross referencing and independent referencing processes are the last steps before the work product is issued to the Agency,

OPE, OCPL, and OA Response

OPE, OA, and OCPL believe that cross referencing is most effectively and efficiently accomplished if it is done as reports are drafted. However, we acknowledge that review and editing may result in significant changes to a draft report. Therefore, we will require our PLDs to instruct staff to check and verify cross referencing after editing and before referencing. OCPL has circulated for comment OIG policy and procedures for report preparation and distribution which discuss the preferred sequence of events. We believe the sequence should be followed except when extenuating circumstances dictate an alternate approach.

¹ Including additional staff from outside PAR

- Require that the final report be completely cross referenced,

OPE,OCPL, and OA Response

The Project Management Handbook requires that the draft report be independently referenced and that any changes from the draft to the final be independently referenced. We will revise the Handbook to require full cross referencing of the final report.

- Emphasize the purpose of independent referencing is not only to check the accuracy of a report but to verify that findings, conclusions, and recommendations logically flow from the data and evidence in the report,

OPE,OCPL, and OA Response

Appendix 7 of the Project Management Handbook, Independent Referencing Guidance/Certification Memo, states that the referencer should (1) verify that all reported statements of fact are adequately supported in the working papers, (2) determine that opinions and conclusions are reasonable and consistent with facts presented in the document and working papers, and (3) determine whether recommendation flow logically from the facts and conclusions. Product Line Directors will remind referencers of these responsibilities.

- Include an assignment plan template in the OIG Handbook as an optional tool for ensuring all applicable required elements are consistently included in assignment plans, and

OPE,OCPL, and OA Response

We will revise the Handbook to include an assignment plan template and insert a step into the Quality Assurance Checklist. We will also include the template in Auto Audit and any successor system.

- Allow the Project Review Meeting to be held before the final report is issued and list the meeting requirement on the Quality Assurance Checklist.

OPE,OCPL, and OA Response

We continue to believe that the Project Review Meeting should be held after the final report is issued, except in extenuating circumstances. If circumstances warrant, the Project Review meeting can be held prior to issuing the report. The Quality Assurance Checklist will be revised to include a step for the Meeting.

We also recommend that the Deputy Inspectors General for Audit, Program Evaluation, and Planning, Analysis and Results:

- Include a list of overdue polices and procedures in the OIG’s quarterly Management Action Plan,
- Implement the quality assurance system as required in OIG policy, and
- Include the QAR in the annual planning process in order to allocate adequate FTE.

OPE, OCPL, and OA Response

OPAR should include a list of overdue policies and procedures in the next Management Action Plan and the responsible office will provide a current status.

- Implement the quality assurance system as required in OIG policy, and
- Include the QAR in the annual planning process in order to allocate adequate FTE.

OPE, OCPL, and OA Response

OPE, OCPL, and OA annual plans will provide for an agreed-upon level of resources to support the quality assurance reviews led by OPAR.

Requirements of Paperwork Reduction Act Not Consistently Applied

The OIG did not consistently follow all the requirements of the Paperwork Reduction Act (PRA) in collecting information from non-federal respondents. The PRA requires agencies and OMB to ensure that information collected from the public minimizes burden and maximizes practical utility.

One of the key limitations on such data gathering is the requirement that collections of similar information from 10 or more non-federal respondents be reviewed and approved by OMB, after public notice and comment.² The package of materials that is submitted to OMB is called an "Information Collection Request" (ICR). Only upon approval by OMB, as evidenced by assignment of a control number to the information collection, may an agency proceed with information collection. On 3 of the 13 assignments reviewed, ICRs were not prepared and submitted to OMB for collecting information from more than 9 non-federal respondents. We found differing views among staff about when an ICR is required.

Paperwork Reduction Act
✓ Any monitoring, reporting, or recordkeeping requirement imposed on non-Federal respondents by OIG will require an "Information Collection Request" (ICR)
✓ Obtain OMB approval for the ICR before requests are made to the public.
✓ ICRs are required when collecting similar information from ten or more non-federal respondents in any 12 month period.

Recommendations

We recommend that the Assistant Inspectors General (AIG) for Audit and Program Evaluation, in consultation with the AIG for Counsel:

- Issue guidance about the Paperwork Reduction Act and requirements for ICRs, and
- Build time into work assignments for OMB approval of ICRs when they are required.

OPE, OCPL, and OA Response

² See 44 U.S.C. section 3507

OPE and OA will work with the OIG Office of Counsel to revise the Handbook to include a discussion of Paperwork Reduction Act requirements and their impact on OIG assignments. We will also require project staff to consult with the OIG Office of Counsel regarding the Paperwork Reduction Act requirements on project-by-project basis, and include a step concerning the Paperwork Reduction Act in the Quality Assurance Checklist.

Other Matters

Additional Guidance Needed

Additional guidance is needed in the following areas:

- Reporting requirements for the Scope and Methodology Section of Reports,
- Cross Referencing Process,
- Indexing Project Management Handbook to the applicable GAS requirement,
- Standards to Use for Hotline Complaints,
- Impairment Forms, and
- Revisions to the Project Management Handbook.

Reporting Requirements for the Scope and Methodology Section of Reports

We found that the scope and methodology sections of OIG reports lacked completeness and consistency in the information provided to the reader. GAS requires that, “the audit report should include the objectives, scope and methodology.”³ The lack of completeness and consistency resulted

because OIG guidance does not provide specific details on what should be included. We discussed our concerns with the *Office of Congressional and Public Liaison* (OCPL), the office responsible for the Report Writing and Formatting Guide. OCPL immediately took steps to disseminate information (cross walked to GAS) about elements required in the scope and methodology section. In addition, OCPL is in the process of updating the Report Writing and Formatting Guide and will include this additional information in the revision.

Scope and Methodology

“Knowledge of the objectives of the audit, as well as of the audit scope and methodology for achieving the objectives, is needed by readers to understand the purpose of the audit, judge the merits of the audit work and what is reported, and understand significant limitations.”

GAS (1999 version) 7.11

OPE, OCPL, and OA Response

OCPL will address this issue during a National Training Conference breakout session on the report writing process. OCPL will also post new guidance on the OIG Intranet Web site.

Cross Referencing Process

³ Government Auditing Standards, 1999 Revision (7.10) and 2003 revision (8.08)

Our current cross referencing process could be improved and more consistently applied. We believe the final report should be completely cross referenced, not just the changes from

“...Audits done in accordance with GAGAS often are subject to review by other auditors and oversight officials.”
GAS (1999 version) 6.63

the draft report. In 2 of 13 assignments reviewed, significant revisions were made to draft reports and only new information was cross referenced in later versions. As a result, it was difficult or impossible to trace the references through the many versions. When it is time for a quality assurance review (e.g. independent referencing, independent review or peer review), the reviewer might not be able to find adequate supporting evidence for the facts, conclusions and judgments in the final report. In addition, we found several reports that had been issued with information that had never been cross referenced. A requirement to completely cross reference each final report would prevent these problems from occurring. If revisions to the draft are minor, the final cross referencing process should go quickly. When the final version has been substantially revised, including changes by the editors, it is essential that a thoroughly cross referenced copy be available for review.

Indexing Project Management Handbook to Applicable GAS Requirements

The Project Management Handbook states that “All OIG audits, program evaluations, and public liaison reviews will generally be conducted in accordance with appropriate Government Auditing Standards.” The guidance set forth in the Handbook is based on GAS. Yet the specific contents of the Handbook are not cross walked or indexed to the applicable GAS requirements or other resources. We believe that cross walking the Handbook to GAS would provide staff with a resource to locate additional information. In addition, the Handbook should be revised to specifically include all GAS subjects, e.g. assessing the reliability of computer-processed data and management control reviews.

Standards to Use for Hotline Complaints

OIG guidance does not make it clear which standards are to be used for hotline complaints. As a result, one hotline complaint assignment inappropriately used Government Auditing Standards which incorporate the American Institute of Certified Public Accountants’ standards for attestation engagements. The auditors tried to use attestation standards in good faith because they believed performing all the internal control and planning work that are required under the performance audit standards was unnecessary for this assignment. However, without guidance on the use of certain standards, auditors may be citing compliance with GAS inappropriately or unnecessarily.

Impairment Forms

Impairment forms were not found for six former employees (17%) in our sample. OIG does not have a process to ensure that impairment forms for former employees are maintained. Without maintenance of impairment forms for former employees, EPA OIG cannot ensure compliance with EPA OIG Manual, Chapter 11, Standards of Conduct. The OIG needs to develop a policy for the maintenance of impairments forms of former employees which would include a maintenance timeframe.

Revisions to the Project Management Handbook

The OIG Project Management Handbook has been revised four times since the “Brown Book” was issued in April 2000. The latest revision was dated January 14, 2005. To help auditors/evaluators meet the most recent Handbook requirements, more information is needed in each revision. The introduction should state the effective date of each revision for OIG work products (e.g. provisions are effective for financial audits of periods ending on or after... and for performance audits and evaluations beginning on or after...). In addition, with each revision a comparison between the previous Handbook and the latest revision detailing the changes should be provided. References in the handbook to additional guidance and policy documents could also be improved. Although some references have been included, a list of applicable guidance and policy should be provided at the end of each section.

OPE, OCPL, and OA Response

The first two issues [cross referencing process and indexing Project Management Handbook to the applicable GAS requirement-added] were addressed above. As stated in the Project Management Handbook, public liaison (i.e., Hotline) assignments will generally be conducted in accordance with appropriate Government Auditing Standards. We believe the guidance is clear on this subject. Assignment teams will comply with the standards applicable to the work conducted. We will also revise the OIG procedures on Professional Standards for Independence to provide a timeframe for maintaining impairment forms after consultation with OMS. Finally, we will revise the Project Management Handbook as noted above and highlight the changes made to the current version.

Appendix A

Scope and Methodology

Our review covered internal controls in place and work products issued by the Office of Audit (OA), Office of Program Evaluation (OPE), and the Office of Congressional and Public Liaison (OCPL) for the period from October 1, 2003, to September 30, 2004, (Fiscal Year 2004). We judgmentally selected thirteen assignments (See Appendix B) from a total of 48 work products issued by OIG. We did not include single audit reports or DCAA contract report. Our sample represented different types of work in the following OA, OPE and OCPL product lines: 1) Contracts, 2) Business Systems, 3) Assistance Agreements, 4) Air, 5) Cross Media, 6) Land, 7) Water, and 8) Congressional and Public Liaison. We judgmentally selected OIG work products which were done in accordance with Government Auditing Standards, to review different types of audit activity, and the work of various product line directors. The work reviewed included performance audits, evaluations, an attestation engagement, financial-related audits, and special reviews. Our field work was conducted between January 2005 and August 2005.

The QAR was conducted utilizing the President’s Council on Integrity and Efficiency (PCIE) “Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General,” February 2002 version. This guide contains checklists for the Review of Audit Quality Control Policies and Procedures, Internal Control Policies and Procedures, Individual Financial Audits, and Individual Performance Audits. These checklists contain steps to review staff qualifications, independence, due professional care, quality control, audit planning, supervision, evidence and working papers, internal controls, illegal acts, other noncompliance and abuse, and reporting. We reviewed the OIG’s overall compliance with Government Auditing Standards, 1999 revision (General Standards and Fieldwork and Reporting Standards for Performance Audits) and compliance with applicable OIG Project Management Handbook requirements.

Since AutoAudit is the required application for electronic working papers, we used it as evidence as it contains most assignment working papers. If applicable, hard copy working papers were also reviewed. We held meetings with assignment teams to discuss issues found during the QAR. We provided results to the individual teams and considered their comments when we prepared our conclusions in the report.

Prior Reviews

The team followed up on two previously issued reports: 1) Final Results of the 2002 Quality Assurance Review, dated October 28, 2002; and 2) Report on the External Quality Control Review of the Environmental Protection Agency’s Office of Inspector General Audit Organization, dated December 19, 2003. To correct identified deficiencies, the OIG established corrective actions which were tracked in the OIGs Management Action Plan (MAP).

Issue	October 2002 QAR	December 2003 Peer Report by USDA
Independent referencing	X	X
Supervisory review	X	X
Documentation supporting CPE	X	
Report qualification statements re: GAGAS	X	
Background investigations		X
Mathematical extrapolations		X
Emphasize reporting elements like criteria, cause and the utility of recommendations		X

Appendix B

OIG Work Products Reviewed

<i>Report Number</i>	<i>Report Title</i>
2004-P-00011	EPA Needs to Better Manage Counter Terrorism/Emergency Response Equipment Preparedness, March 29, 2004
2004-S-00008	E&E Floorcheck FY03, September 30, 2004
2004-P-00013	EPA's Administration of Network Firewalls Needs Improvement, March 31, 2004
2004-P-00022	Stronger Leadership Needed to Develop Environmental Measures for Clean Water State Revolving Fund, June 22, 2004
2004-P-00010	Hotline Complaint - Basin Cleanup Coalition, March 25, 2004
2004-P-00012	EPA's Method for Calculating Air Toxics Emissions for Reporting Results Needs Improvement, March 31, 2004
2004-P-00002	Significant Modifications Needed to Ensure Success of Fort Worth Asbestos Demolition Method, December 19, 2003
2004-P-00007	EPA Needs to Consistently Implement the Intent of the Executive Order on Environmental Justice, March 1, 2004
2004-P-00027	Some States Cannot Address Assessment Needs and Face Limitations in Meeting Future Superfund Cleanup Requirements, September 1, 2004
2004-P-00028	Multiple Actions Taken to Address Electronic Waste But EPA Needs to Provide Clear National Direction, September 1, 2004
2004-P-00030	EPA Needs to Reinforce Its National Pretreatment Program, September 28, 2004
2004-P-00032	Review of Actions at Escambia Treating Company Site, Pensacola, Florida, September 30, 2004
2004-P-00031	Review of Actions at Industrial Excess Landfill Superfund Site, Uniontown, Ohio, September 29, 2004

Appendix C

Issues on OIG Work Products Reviewed

REPORT NUMBER	REPORT TITLE	IMPROVEMENTS NEEDED												
		EVIDENCE	MANAGEMENT CONTROL REVIEWS	COMPLIANCE W/ PROJECT PLANS	POST PROJECT REVIEW MEETING	SUPERVISORY REVIEW	INDEPENDENT REFERENCING	PAPERWORK REDUCTION ACT	SCOPE AND METHODOLOGY SECTION	CROSS REFERENCING				
2004-P-00011	EPA Needs to Better Manage Counter Terrorism Emergency Response Equip. Preparedness				X				X					
2004-S-00008	E&E Floorecheck FY03	X		X					X					X
2004-P-00013	EPA'S Administration of Network Firewalls Needs Improvement		X	X	X									
2004-P-00022	Stronger Leadership Needed to Develop Environmental Measures for Clean Water State Revolving Fund		X	X	X							X		
2004-P-00010	Hotline Complaint - Basin Cleanup Coalition			X	X									
2004-P-00012	EPA's Method for Calculating Air Toxics Emissions for Reporting Results Needs Improvement	X	X	X								X		X
2004-P-00002	Significant Modifications Needed to Ensure Success of Fort Worth Asbestos Demolition Method	X	X	X	X				X			X		X
2004-P-00007	EPA Needs to Consistently Implement the Intent of the Executive Order on Environmental Justice	X	X	X					X					
2004-P-00027	Some States Cannot Address Assessment Needs and Face Limitations in Meeting Future Superfund Cleanup Requirements	X	X	X	X				X			X		X
2004-P-00028	Multiple Actions Taken to Address Electronic Waste but EPA Needs to Provide Clear National Direction	X	X	X	X				X			X		X
2004-P-00030	EPA Needs to Reinforce Its National Pretreatment Program	X			X				X			X		X
2004-P-00032	Review of Actions at Escambia Treating Company Site, Pensacola, Florida		X		X								X	
2004-P-00031	Review of Actions at Industrial Excess Landfill Superfund Site, Uniontown, Ohio		X	X	X								X	X