



**International Peer Review of  
the Performance and Financial Audit Practices of  
the United States Government Accountability Office**

**September 2014**



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## I. Introduction

- 1.1.** The Government Accountability Office (GAO) is the supreme audit institution (SAI) of the United States of America and an independent, nonpartisan agency that supports the US Congress. It is headed by the Comptroller General, whose duties and responsibilities are set out in the *Budget and Accounting Act of 1921*. In 2013, GAO employed around 2,900 staff and had a budget of \$507.2 million.
- 1.2.** GAO states that its mission

is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. We provide Congress with timely information that is objective, fact-based, nonpartisan, nonideological, fair, and balanced.
- 1.3.** GAO organizes its resources to support what it calls “four broad strategic goals.” These include helping to address challenges to the well-being and financial security of the American people, responding to changing security threats and global interdependence, and transforming the federal government to address national challenges. In addition, it has an internal goal of enhancing value through improving its efficiency, effectiveness, and quality, and through institutional stewardship and resource management. GAO undertakes

  - evaluations of federal policies, programs, and performance of agencies;
  - oversight of government operations through financial and management audits;
  - investigations to assess whether illegal or improper activities are occurring;
  - analyses of financing for government activities;
  - constructive engagement in which it works with agencies to provide advice; and
  - legal opinions that determine whether agencies are complying with applicable laws and regulations.
- 1.4.** GAO’s advice and opinions are delivered through its reports—it issued 709 reports in 2013—as well as by senior officials testifying in congressional hearings, on 114 occasions in 2013. Around 95 percent of its work is at the request or mandate of Congress. GAO has developed a set of detailed and transparent protocols to govern its relationship with Congress, including the acceptance and prioritization of requests. The audit work of GAO is governed by generally accepted government auditing standards (GAGAS). These standards are to be followed by all auditors of government entities as well as entities that receive government awards. The most recent edition was published in 2011.
- 1.5.** GAO’s audit staff are organized into 14 mission teams, most of which focus on a particular area of federal government activity. Within the mission teams, audit teams conduct each audit, led by engagement leaders. The audit teams are supported by stakeholders, including members of other teams working on related topics, and experts in technical disciplines, such as data collection and survey methods, economics, science and technology, and law. Key decisions about the conduct of audits are taken at Engagement Acceptance Meetings (EAM) and Engagement Review Meetings (ERM), which are attended by audit team management and GAO senior leadership. Among other quality-related matters, EAMs review all new

congressional requests and mandates to determine whether GAO can and should accept them and to assess the skills and resources required. ERM focus on the soundness of the audit team's proposed design to achieve the objectives.

## II. The scope of the peer review

- 2.1. Under GAGAS (paragraph 3.96), GAO is required to obtain an external peer review at least once every three years. The review is to be sufficient in scope to determine whether GAO's system of quality control is suitably designed and whether GAO is complying with its quality control system in order to achieve reasonable assurance of conforming to applicable professional standards. The peer review was governed by a Memorandum of Understanding between GAO and the Office of the Auditor General of Norway (on behalf of the peer review team) in December 2013. The peer review was conducted between January and September 2014.
- 2.2. More about the methodology applied to carry out the peer review is set out in the Appendix. The remainder of this report details the findings from the review. In particular, it provides
  - the overall opinion (Part III);
  - follow-up on previous peer reviews (Part IV)
  - peer review findings, including overall impressions and good practices and suggestions for GAO to consider (Part V); and
  - methodology and members of the peer review team (Appendix).

## III. Peer review opinion

- 3.1. The main purpose of the peer review was to render an opinion on whether GAO's system of quality control is suitably designed and operated effectively during 2013, and whether the system gave GAO reasonable assurance that it is conforming to generally accepted government auditing standards.
- 3.2. On the basis of the work conducted, the peer review team confirms that, in its opinion, GAO's system of quality control is suitably designed and was operating effectively during the year ended 31 December 2013. The quality control system was therefore able to provide GAO with reasonable assurance that it is conforming to the sections of the 2011 GAGAS that apply to GAO's performance and financial audit practices.

## IV. Follow-up on previous peer reviews

- 4.1. In 2011, the previous peer review team identified six areas for GAO to consider to further enhance its performance and financial audit practices.



Summary of suggestions from the 2011 peer review

**GAO may wish to**

- ensure oversight of significant changes to audit scope (4.3)
- better link criteria to the objectives and conclusions in the performance audit reports (4.7)
- update GAO's multi-year strategy for the audit of the consolidated financial statements (4.4)
- enhance documentation of key matters (4.5)
- develop a framework for rotating senior staff and/or audit responsibilities (4.6)
- enhance monitoring of time variances on audits (4.3)

**4.2.** The current peer review team reviewed the actions GAO has taken in response to these suggestions from the previous peer review team. The current team found that while GAO has taken action in response to all the suggestions, some initiatives are preliminary and it is too early to assess their effectiveness.

**4.3.** GAO has launched an initiative to improve process efficiency, which, among other things, is intended to provide additional **oversight of significant changes to audit scope and monitor time variances on audits**. In early 2014, new processes and enhanced project management tools were in the pilot phase, so the peer review team was unable to assess their effectiveness. According to GAO, the goals of one of these new tools, the Engagement Management System, include providing information for establishing and monitoring performance and financial audit budgets. Once the system is fully implemented and functional, GAO should ensure that the system provides the intended information and that the information is used.

**4.4.** Sixteen years after receiving the mandate to **audit the U.S. government's consolidated financial statements**, impediments in the agency's financial management systems persist. GAO continues to issue a disclaimer of opinion on this significant element of financial accountability for the US government. In anticipation that these impediments would soon be resolved or eliminated, the 2011 peer review team suggested that GAO update the multi-year strategy to help ensure the availability of sufficient resources when additional areas become auditable. GAO has prepared a new Five Year Audit Strategy: U.S. Government's Consolidated Financial Statements. The current peer review team recognizes the actions taken by GAO in response to the suggestion of the 2011 peer review team. However, the current team finds that the strategy would be enhanced by clarifying roles and responsibilities, refining the audit readiness status and major remaining challenges of the components, and defining the milestones and the means to achieve audit readiness.

4.5. The current peer review team found that the sampled financial audit files contain evidence of good practices for **documenting the judgments** made and the evidence supporting the audit conclusions. Although the teams advised us that the engagement leaders participate in team discussions during the audit, evidence of this involvement was not well documented. Issues were clearly documented in the sample files, but the working papers do not clearly show at what point in the audit the engagement leader is advised or consulted. GAO indicated that its practice is for leaders to meet with the audit team routinely throughout the audit, and that current US standards do not require extensive documentation of these ongoing status meetings. Further, GAO's financial audit methodology outlines the key documents requiring leadership approval; they are identified in the audit completion checklist. However, in response to the prior peer review suggestion, in 2013, GAO indicated that it conducted team-wide training on audit documentation, with emphasis on documenting key decisions whenever they are made. For the **internal inspection**, GAO has developed a spreadsheet that it used in inspection meetings when discussing issues found by inspectors on individual engagements. This spreadsheet allows inspection managers to easily document the key decision made about the conduct and reporting of the inspection program, and secures a trail describing how the overall inspection results were determined. The peer review team has reviewed the spreadsheets and the inspection report for 2014, and is satisfied with the steps taken.


4.6. GAO has developed and is implementing a framework to assess annually when to **rotate senior staff** or audit responsibilities in response to the peer review suggestion, but concluded that rotation based on a predetermined number of years should not be implemented. Systematic rotation is not a requirement in the GAGAS, and GAO believes that it has processes in place that guard against threats to independence. GAO has started to implement an annual assessment process, where the questions on rotation could be considered on an individual basis as part of a general assessment of human resource management and staff assignment. GAO will need to monitor and evaluate the assessment process to ensure that audit managers and audit teams remain independent in fact and in appearance. The assessment could also be an element of the annual inspection program.

4.7. In the area of **audit criteria**, GAO has issued guidance to staff. In addition, proposed evaluation criteria for each engagement is a primary focus area at GAO's Engagement Acceptance Meetings. However, the current peer review team considers that GAO could further strengthen practices. This area is addressed in more detail in this report.

## V. Peer review findings

### A. Overall impressions and context

5.1. Overall, the peer review team considers that GAO has structures, arrangements, and a culture that clearly prioritize quality and independence, and that GAO ensures that the



importance of these concepts is conveyed to staff as soon as they join the organization. We were struck by the extensive arrangements in place for quality assurance within a very clear and comprehensive framework and with a valuable online guidance tool to assist staff in meeting quality standards. Such tools are designed to reduce the extent to which the quality of outputs depends on individual members of staff, and increases the transparency of decision making. GAO has extensive arrangements in place for quality assurance.

- 5.2. We also noted the stability of the system, which has been in place for some time, and which we consider beneficial. We noted positive senior management engagement in quality issues ('tone from the top'), which reinforced the importance of considerations of quality. In addition, we noted the very wide range of skills and expertise available, which enables GAO to address the variety of issues it examines.
- 5.3. Individual supreme audit institutions (SAIs) develop in specific administrative contexts, undertaking work to meet the specific needs of their legislatures and governments. In carrying out our review, we were therefore mindful of the context in which GAO operates and the pressures it faces. In particular, we consider the following points relevant for understanding the environment within which GAO operates.
- **How work is initiated:** 95 percent of GAO's work is requested or mandated by Congress. This affects the audit work that GAO undertakes. It also requires GAO to have very robust processes for determining what work to do and how to prioritize demands, and calls for GAO to be in dialogue with Congress to ensure that requests are within GAO's mandate. GAO has a protocol that regulates its contact with Congress.
  - **Volume of work:** The amount of requests from Congress and the volume of work that GAO routinely produces mean that it needs to have very clear and well-understood procedures and practices that can be applied repeatedly to its work and can operate smoothly.
  - **Number of signatories:** Around 100 executives are authorized to approve reports for publication. This underlines the importance of clarity in practices across the organization to ensure consistency across the product range.
- 5.4. Against this background, we have identified a number of good practices, which we consider other SAIs would benefit from following. We have also identified some suggestions for GAO to consider.

## B. Good practices

### *(1) Senior management's emphasis on quality*

- 5.5. The peer review team observed that the emphasis on quality was prevalent throughout GAO's structure. Senior leadership's involvement in key processes ensures that quality remains a focus and assists in setting the tone and establishing a culture for quality within the agency. For example, senior leadership's participation at the Engagement Acceptance Meetings (EAM) and the Engagement Review Meetings (ERM) enhances the quality of products. Together with the standards of quality articulated within GAO's guidelines and



policies, these are important practices that strengthen GAO’s capacity to fulfill its fiduciary responsibilities to Congress and the public consistently and reliably.

### ***(II) The design of the QAF***

- 5.6.** The team found that GAO has designed a holistic quality assurance framework (QAF). Moreover, the team found that the framework complies with international standards for quality assurance for audit institutions—for instance, ISSAI 40—and therefore can be applied by both small- and large-scale organizations.
- 5.7.** EAGLE is an electronic tool accessed through GAO’s intranet that links the GAGAS and GAO’s policies, procedures, guidance, and tools, and aligns them with the flow of the engagement management process. The 2004 peer review identified the availability of this tool as a good practice. Almost a decade later, auditors we interviewed during the current peer review repeatedly identified EAGLE as the key tool that helps them implement GAO’s quality assurance framework effectively. We commend GAO for continuing to maintain and develop this tool, and for keeping it relevant to the work of its staff.

### ***(III) Stakeholder involvement***

- 5.8.** GAO assigns stakeholders to teams based on their particular expertise. Stakeholder involvement is an effective management tool that fosters a proper matching of skills and relevant audit objectives. In addition, the peer review team observed effective communication and cooperation of efforts between the engagement teams and stakeholders.
- 5.9.** For example, we observed constructive input into project design meetings, with staff outside the team making significant contributions and displaying a willingness to share views in a positive manner. In addition, the system of stakeholder involvement leverages knowledge within the organization, a key challenge facing all knowledge-based organizations.

### ***(IV) Financial audit completion checklist***

- 5.10.** The team found that the Audit Completion Checklist is an effective, comprehensive summary tool that ensures that the audit file contains documentation of sufficient and appropriate audit evidence supporting the audit opinion. It also gives a good overview of the different steps in the financial audit process and the professional judgment applied.
- 5.11.** The checklist adds consistency to each engagement and is designed to ensure that the objectives of each of the audit programs have been adequately addressed, in keeping with the relevant standards and GAO methodology. Although detailed, the Audit Completion Checklist is effective because it is user-friendly and provides a platform that brings together all aspects of the audit in summary form. It serves as a “detailed compliance pathway” for conducting financial audits, which ensures a high level of quality from start to finish.





## C. Suggestions for GAO to consider

### *(I) Criteria*

- 5.12.** Criteria are the benchmarks against which performance is compared or evaluated. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the report. Auditors should define in the planning documents the criteria they will use and describe them in the report. GAO has taken steps to improve the use of explicit criteria in audits, such as issuing a guide for developing criteria and creating a criteria database. However, the peer review team found that the criteria used could still be more explicitly stated in some performance audit reports.
- 5.13.** Performance audit questions are either descriptive or evaluative, which affects the use of criteria. The peer review team suggests that GAO make this distinction clear in the planning documents. Where the audit is addressing evaluative questions, the criteria should be clearly stated. Given the significance of this issue, we suggest that the next annual inspection give particular attention to the use of criteria in final planning documents and published reports.

### *(II) Clarity of reports*

- 5.14.** In some of the reports reviewed, the peer review team found that the message could have been presented more simply, using plain language. GAO may wish to consider enhancing the role of communication analysts and look for additional opportunities to communicate the message to the intended reader more clearly. GAO should also encourage staff, where appropriate, to attend available training aimed at enhancing clarity of reports.

### *(III) Annual inspection*

- 5.15.** GAO has an annual inspection program designed to provide reasonable assurance that performance and financial audits are carried out in accordance with GAGAS and comply with GAO's policies and procedures. Given GAO's comprehensive quality assurance framework of policies and procedures, and the fact that previous inspections have not had material findings on the content of the reports, the peer review team finds that there are opportunities for a more risk-based approach to the inspection.

### *(IV) External review of reports*

- 5.16.** GAO has external advisory boards and panels that support its strategic and annual work planning to identify key trends, opportunities and challenges, and lessons learned across the national and international audit community that it factors into its work. Many national audit offices have processes to obtain the views of external groups on a sample of issued reports. The goal is to assure that the products continue to reflect best practices in

reporting. The peer review team suggests that GAO consider using its existing network of advisors to comment on its overall communications strategy and mechanisms while identifying any opportunities for enhancing the presentation of reports.



## VI. Letter from the Comptroller General



United States Government Accountability Office  
Washington, DC 20548

Office of the Comptroller General  
of the United States

September 1, 2014

Ms. Elise Ficjesteir Eriksen  
Deputy Director General  
Office of the Auditor General of Norway

Dear Ms. Eriksen:

We are pleased that you reached the opinion that GAO's quality control system was suitably designed and operating effectively. We are also pleased that you identified a number of "good practices" in GAO's operations. Additionally, we appreciate the team's constructive suggestions and will develop an action plan to address each one.

On behalf of all GAO employees, I thank the international peer review team, led by the Office of the Auditor General of Norway, for its professionalism, competence, and effective and efficient approach to this important engagement.

Sincerely yours

A handwritten signature in cursive script, appearing to read 'Gene L. Godara', is written over a printed name and title.

Gene L. Godara  
Comptroller General  
of the United States

## VII. Appendix – Methodology and the members of the peer review team

### A. Methodology

The primary objective of the peer review was to determine whether the US Government Accountability Office's (GAO) system of quality control was suitably designed and whether the organization complied with its quality control system during the year ended December 31, 2013. The peer review team's aim was to provide GAO with reasonable assurance of conforming with the applicable sections of the 2011 *Government Auditing Standards* in conducting its performance and financial audit practices. Complying with these standards helps assure that GAO can provide Congress and other users of GAO products with independent, objective, and reliable information.

Other objectives of the peer review were to identify good practices and offer suggestions that management may wish to consider as it enhances GAO's performance and financial audit practices. In addition, the peer review team followed up on the suggestions of the 2010 peer review.

The peer review focused on two aspects of GAO's quality assurance system:

*A design assessment:* The purpose was to determine whether the quality assurance system would provide reasonable assurance of compliance with GAGAS. To assess the design, the team examined the documented quality assurance framework, including the policy manual and the automated quality management system, to determine whether these adequately reflected the requirements.

*An implementation assessment:* The purpose was to determine whether, in practice, the quality assurance framework was operating effectively to provide reasonable assurance of compliance with the 2011 Government Auditing Standards. To do this, the peer review team reviewed 28 individual audit engagements, including the engagement product and management files and underlying evidence for some key findings. In reviewing engagements, the peer review team considered whether the GAO engagement team followed professional standards and adequately documented its work.

Based on an assessment of peer review risk, the team randomly selected 24 individual performance audit engagements for review, based on certain criteria to secure a reasonable cross-section of GAO audit reports. These criteria include characteristics such as mission team, risk level, Congressional requests, self-initiated audits, and workdays spent. Due to classified information in some of the selected engagements, the team had to substitute 5 of the initial 24 selected engagements. The peer review team also selected 4 financial audit engagements of different sizes and natures.


All selected engagements were issued by GAO in the 2013 calendar year. The peer review team did not review non-audit work. Briefings and testimonies were also excluded from the population.

To assess design and implementation, the peer review team developed audit programs to review the quality assurance framework design and the how well selected audit reports complied with GAGAS.

The peer review team spent two weeks at GAO to receive and assess further documentation needed to complete the audit programs.

To carry out the peer review, the team undertook a wide range of work. In particular, we



- 
- received briefings from a wide range of senior staff covering the context and environment in which GAO operates, its recent performance and overall quality assurance framework, as well as aspects of its work such as communications, resourcing, relations with Congress, and audit methodology;
  - reviewed the overall quality assurance controls, through document review and interviews;
  - carried out interviews with a number of key staff responsible for records and privacy, human capital, Continuous Process Improvement Office (CPIO), and communications;
  - examined documentation relating to the conduct of 24 performance audits and 4 financial audits, following up as necessary through interviews of audit staff;
  - held focus groups with senior staff, analysts in charge, and communications analysts; and
  - attended key audit planning meetings (EAM, ERM, and design meetings) with both staff and management.

The lead reviewer and the peer review team would like to convey thanks to GAO management and staff for all the information, assistance, and time provided throughout the peer review.

#### **B. Members of the peer review team**

The 2013 peer review of the Government Accountability Office was carried out by an international team of senior representatives from five supreme audit institutions:

##### Norway - Office of the Auditor General of Norway

- Elise Fidjestøl Eriksen (Review Leader)
- Jens Gunvaldsen
- Knut Aarhus

##### Canada - Office of the Auditor General of Canada

- Margaret Haire
- Nicholas Swales

##### United Kingdom - National Audit Office

- Jeremy Lonsdale

##### Denmark - The National Audit Office of Denmark

- Heidi Lund
- Karsten Lund Jørgensen

##### Bahamas - Department of the Auditor General

- Carolyn Patton
- Veronica Rahming



