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Description of document: Tennessee Valley Authority (TVA) Inspector General (OIG) Audit Manual, 2015

Requested date: 02-January-2017

Released date: 31-January-2017

Posted date: 20-February-2017

Source of document: FOIA Request
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Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401

January 31, 2017

This responds to your letter dated January 2, 2017, requesting information under the Freedom of Information Act (FOIA) (5 U.S.C. § 552). You requested 1) a digital or electronic copy of the FES Program Manual, Process & Procedures, and 2) a digital or electronic copy of the TVA OIG Audit Manual. Your request was processed under tracking number #4965.

Enclosed is a copy of the TVA OIG Audit Manual you requested.

Your item FES Program Manual appears to refer to the Factor Evaluation System used to assign grades to positions under the General Schedule. TVA has its own compensation system. TVA positions are not subject to the General Schedule, therefore, we have no records responsive to your request.

If you have questions about this response, you may contact me at (865) 632-6945. In addition, FOIA mediation services are available through the Office of Government Information Services (OGIS) and TVA. Enclosed is contact information for those services.

You may appeal this initial determination of your FOIA request by writing to Ms. Janet J. Brewer, Senior Vice President, Chief Communications & Marketing Officer, Communications & Marketing, Tennessee Valley Authority, 400 W. Summit Hill Drive (WT 7C), Knoxville, TN 37902-1401. Any appeal must be received by Ms. Brewer within 90 days of the date of this letter.

Sincerely,

A handwritten signature in black ink, reading "Denise Smith". The signature is fluid and cursive, with the first name "Denise" and last name "Smith" clearly legible.

Denise Smith
TVA FOIA Officer

Enclosure

NOTICE

As part of the 2007 FOIA amendments, the Office of Government Information Services (OGIS) was created to offer mediation services to resolve disputes between FOIA requesters and Federal agencies as a non-exclusive alternative to litigation. Using OGIS Services does not affect your right to pursue litigation. If you are requesting access to your own records (which is considered a Privacy Act request), you should know that OGIS does not have authority to handle requests made under the Privacy Act of 1974. You may contact OGIS in any of the following ways:

Office of Government Information Services
National Archives and Records Administration
Room 2510
8601 Adelphi Road
College Park, MD 20740-6001
Email ogis@nara.gov
Telephone: 301-837-1996
Facsimile: 301-837-0348
Toll-free: 1-877-684-6448

FOIA Liaison mediation services are also available through the TVA Ombudsman. You may contact the Ombudsman in any of the following ways:

Mr. Wilson Taylor
Ombudsman and TVA FOIA Liaison
Tennessee Valley Authority
400 W. Summit Hill Drive (WT 7D)
Knoxville, TN 37902-1401
Email tvainfo.com
Telephone: (865) 924-1418

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REVISIONS TO THE HANDBOOK

The handbook will be revised or supplemented as OIG conditions change or as new developments in the profession dictate. Suggestions and new ideas are encouraged and welcomed from the staff at any time. It is the responsibility of each auditor to submit suggestions to the Assistant Inspector General, Audits (AIGA) by way of the appropriate audit director. Each suggestion will be reviewed and considered, and the auditor will be advised of the outcome of the review. Audit staff will be kept informed of revisions via e-mail, and training on the changes will occur as deemed necessary by the AIGA. See the following table for revisions made to this handbook and approved by the AIGA subsequent to April 22, 2015.



April 23, 2015

Robert E. Martin, Assistant Inspector General, Audits

Reference	Description of Change, Effective October 1, 2015
Page ii	Added Appendix B – Attestation Examination Checklist and renumbered appendices
Page 6	Under Attestation, added attestation examination engagement language relating to contract preaward and other changes in this paragraph for clarity and emphasis of knowledge and compliance with GAGAS and AICPA standards for attestation engagements
Page 10	Under Entrance Conference, last bullet, added "examination."
Page 11	Under Audit Plan, under Control & Fraud Risk Assessment bullet, added reference to SSAE (AT 101.54)
Page 35	Added reference to Attestation Examination Engagement checklist
Appendix B	Under Audit Plan, added step 2 and renumbered remaining steps
Appendices A-D	Added department director certification as reviewer of the checklist

Approved by:



David P. Wheeler, Assistant Inspector General, Audits and Evaluations

October 1, 2015

INTRODUCTION

PURPOSE

This handbook prescribes the policies and procedures applicable to the TVA Office of the Inspector General (OIG) Audit Operations for planning, conducting, and reporting audit work. In addition to this handbook, the OIG has a TeamMate Protocol Manual covering audit documentation using TeamMate software, an Administrative Handbook covering administrative policies, a Report Style Guide, and a Report Writing Guide. These resources are available on the TVA OIG Wiki.

AUDITING STANDARDS

This handbook is intended to be consistent with all applicable auditing standards. The OIG does not typically perform financial audits, but monitors financial audits performed by an external accounting firm (IPA) to ensure the work is done in accordance with applicable auditing standards. Should the OIG initiate a financial audit, auditors must follow GAGAS for performing financial audits.

In some audits, the standards applicable to the specific objective will be apparent. In others, there may be multiple or overlapping objectives. In cases where there is a choice between applicable standards, auditors should consider the users' needs and the auditors' knowledge, skills, and experience in deciding which standards to follow, i.e., performance auditing or attestation standards.

It is the responsibility of each auditor to refer to and use the handbook in the performance of each audit or attestation engagement. It is also the responsibility of auditors to perform audits and attestation engagements in accordance with *Government Auditing Standards* (GAS). The professional standards and guidance in GAS are commonly referred to as generally accepted government auditing standards (GAGAS). In addition, each auditor, team leader, director, DAIGA, and AIGA is expected to follow all applicable guidance issued by the sources listed below. In rare circumstances, auditors and audit organizations may determine it necessary to depart from a relevant presumptively mandatory requirement. In such rare circumstances, auditors should perform alternative procedures to achieve the intent of that requirement. (GAGAS 2.15-16)

Government Auditing Standards

Audit Operations has adopted and implemented the 2011 revision of *Government Auditing Standards* (GAS). This handbook is intended to supplement rather than restate the guidance provided by the GAS. References to the GAS are included throughout the handbook and are indicated by GAGAS X.XX, where X.XX represents the specific paragraph from which the procedure was taken.

American Institute of Certified Public Accountants

The American Institute of Certified Public Accountants (AICPA) has established standards that apply to financial audits and attestation engagements for entities not covered by the Sarbanes-Oxley Act of 2002. For financial audits, GAGAS incorporates the AICPA fieldwork and reporting standards and the related Statements on Auditing Standards (SAS) unless specifically excluded or modified by GAS. For attestation engagements, GAS incorporates the AICPA general standard on criteria, and the field work and reporting standards and the related Statements on Auditing Standards for Attestation Engagements (SSAE) unless specifically excluded or modified by GAS. GAS describes ethical principles and establishes independence and other general standards, and additional field

work and reporting standards beyond those provided by the AICPA for performing financial audits and attestation engagements.

Council of the Inspectors General on Integrity and Efficiency

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) promulgated standards, Quality Standards for Federal Offices of Inspector General, revised August 2012, apply to governmental audit activities and are consistent with GAS. The CIGIE has also developed standards and detailed guidance for conducting external peer reviews of OIG audit operations. These standards are available at www.ignet.gov.

Office of Management and Budget Bulletins and Circulars

The Office of Management and Budget (OMB) issues various bulletins and circulars related to audits conducted in accordance with GAS, or that otherwise affect how audits of financial statements, programs, and activities are conducted. This includes certain OIG mandated audits, including financial statement audits.

The Inspector General Act of 1978, As Amended

The Inspector General Act of 1978, as amended, requires that audit work conducted by federal inspectors general, as well as work conducted by nonfederal auditors on their behalf, comply with GAS.

Public Company Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) has established professional standards that apply to financial audits and attestation engagements for issuers required to file with reports with the Security and Exchange Commission (SEC). In December 2005, legislation was passed that amended the SEC Act of 1934 and the TVA Act, requiring TVA to file annual and quarterly, as well as periodic reports on Form 10-K, Form 10-Q, and Form 8-K, respectively, with the SEC. Auditors may use the GAS in conjunction with the PCAOB standards.

ROLES AND RESPONSIBILITIES

The following outlines the roles and responsibilities for individuals involved in each TVA OIG Audit issued.

Auditors

Every auditor involved in the audit has the following responsibilities to ensure a valid and reliable product:

- Team member – performs steps as directed; provides input; follows documentation standards; assists in completion of audit including planning; and communicates with team lead and other members.
- Team lead – ensures all objectives are met; ensures audit documentation is complete; mentors and provides guidance to team members; directs planning and performing of the audit; leads development of report; communicates with team members and director; performs steps; conducts supervisory review of team members' audit documentation; and other duties as required. The lead auditor should brief and/or seek the advice of the director, legal counsel, the AIGA, Deputy Inspector General (DIG), the Inspector General (IG), or other knowledgeable persons whenever the lead auditor believes an audit concern or issue needs to be brought to their attention or requires their input for resolution. The lead auditor should document these discussions.

- Supervisory reviewer (SR) – reviews team lead and team member audit documentation as necessary and ensures audit documentation is complete.
- Quality Control reviewer (QC reviewer) – should be independent of the audit; verifies accuracy of the report; ensures compliance with GAGAS and this Handbook; and provides feedback on clarity of the report.

Leadership

- Assistant Inspector General, Audits (AIGA), DAIGA or their designee – responsible for Audits' policies and procedures that ensure compliance with GAS and reviews and approves draft and final reports.
- Director – provides overall supervision of the work and reviews draft and final reports.
- OIG Legal Counsel (Legal Counsel) – reviews draft and/or final reports for legal sufficiency.

Support

- Management Assistant – proofreads draft and final reports for punctuation, spelling, grammatical errors, and formatting. Issues reports via e-mail based on AIGA and DAIGA direction.

CHAPTER 1 – ANNUAL AUDIT PLANNING

An Annual Audit Plan (Annual Plan) shall be prepared identifying audits scheduled to be completed in the next fiscal year. The focus of this process is to maximize available audit resources in order to meet statutory requirements for audits and provide coverage of TVA high-risk areas. Planned audits come from a variety of sources which play an important role in determining which audits will be performed and the benefit to be achieved. Sources can include recurring statutory audits such as the Federal Information Systems Management Act of 2002 evaluation, self-initiated audits, requests from TVA management for audits, and requests for assistance from Investigations. Audit suggestions may be solicited from audit, evaluation, and investigation staff, the TVA Board of Directors (TVA Board), TVA management, TVA employees, and non-TVA individuals. Potential issues may also be elicited from other sources, including TVA ratepayers, TVA distributors, Valley interest groups, and other external organizations.

PROCEDURES AND RESPONSIBILITIES

The AIGA should initiate and coordinate the preparation of the Annual Plan. The IG, DIG, AIGA, DAIGA, Audit department directors, and each auditor are responsible for providing input for the Plan. The IG, DIG, AIGA, DAIGA, audit department directors, and auditors should periodically solicit potential audit issues from various sources, such as the TVA Board, management, employees, ratepayers, distributors, Valley interest groups, and other external organizations.

Department directors shall rank the potential issues according to vulnerabilities and develop a brief narrative on each audit recommended. The department director should prepare a departmental annual plan for submittal to the DAIGA (if applicable) and the AIGA. The narrative on each audit may include:

- A description of the activities to be audited.
- The audit objectives.
- Potential benefits of the audit.
- TVA goal(s) relevant to the audit.
- Risk area relevant to the audit.
- The primary TVA organization(s) which would be involved in the audit.

The AIGA will review the department annual plans for approval of suggested audits and to eliminate any potential overlap between departments. The AIGA will consolidate the department plans into a single OIG Annual Audit Plan and forward the draft to the DIG and IG for review and approval. The IG shall discuss the final OIG Annual Audit Plan with the Audit, Risk, and Regulation Committee (Audit Committee) of the TVA Board, as appropriate.

CHAPTER 2 – AUDIT PROCESS

The OIG's audit process consists of the following four phases which provide a systematic basis for committing and managing resources and ensuring the highest quality products are developed.

- Planning
- Fieldwork
- Reporting
- Recommendation Tracking

Auditors must use professional judgment in planning and performing audits and reporting results. (GAGAS 3.60) The staff assigned to perform the audit must collectively possess adequate professional competence and technical knowledge, skills, and experience needed to address the audit objectives and perform the work in accordance with GAGAS. (GAGAS 3.69, 3.72)

The amount of time and resources devoted to each phase will depend on the complexity, requirements, and circumstances of the specific audit. For example, a well-defined request from TVA management may require very little time in the planning phase; whereas, a broad policy issue may require extensive planning. Additionally, some overlap of the phases may occur. For instance, before final approval is obtained on the audit plan, certain aspects of the fieldwork phase could begin.

GAGAS addresses the following three distinct types of engagements, performance audit, attestation engagement, and financial audit, and each has specific requirements. The objectives typically determine the type of engagement to be performed.

Performance – audits that provide (1) findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria, and (2) objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability (definition at GAGAS 2.10). The majority of audits conducted by the TVA OIG are performance audits as defined by GAGAS.

Attestation – There are three types of attestation engagements, (1) examination, (2) review, and (3) agreed-upon procedures (defined at GAGAS 2.09). Auditors performing attestation engagements in accordance with GAGAS should also comply with the American Institute of Certified Public Accountants (AICPA) general attestation standard on criteria, the field work and reporting attestation standards, and the corresponding Statements on Standards for Attestation Engagements (SSAEs) which are incorporated into GAGAS by reference (GAGAS 5.01 and AT 50).

TVA OIG regularly performs examination engagements on contract pre-awards, as well as agreed-upon procedure engagements, at the request of TVA or external parties. Auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations (GAGAS 2.09.b), including providing negative assurance on internal controls or compliance in an audit report. When auditors are engaged to perform an examination attestation engagement, they should have knowledge of and comply with GAGAS 5.03 – 5.47 and AT 101 in the SSAEs. When auditors are engaged to perform agreed-upon procedures, they should have knowledge of and comply with GAGAS 5.58-5.67 and AT 101 and AT 201 in the SSAEs.

Financial – independent assessment of whether an entity’s reported financial information is presented fairly in accordance with recognized criteria (definition at GAGAS 2.07). For financial audits, auditors should also comply with the AICPA Statements on Auditing Standards (SAS) (GAGAS 4.01, 4.02). TVA OIG typically does not perform financial audits as defined by GAGAS. If the OIG is engaged to perform a financial audit, the auditor should refer to GAGAS Chapter 4, as well as Chapters 1-3.

PLANNING (GAGAS 6.06, 6.79)

During this phase, the audit team will gather enough information to make a go/no-go decision and/or prepare an audit plan. The goal of planning is to create a well-developed audit plan which (1) establishes objective(s), scope, and methodology; (2) establishes the audit steps and resources needed to achieve the objectives and reduce audit risk to an appropriate level; and (3) serves as a mechanism for monitoring, controlling, or redirecting the assignment during the fieldwork phase. This phase includes independence certification, background research, scheduling memo, entrance conference, go/no go, and audit plan.

Independence Certification (GAGAS 3.02, 3.04-3.05, 3.08, 3.14, 3.17, 3.20-3.25)

Each member of the audit team, including the supervisory reviewer and as applicable, advisor and specialist(s), must be independent in mind and appearance during the time period covered by the audit/engagement and will certify their independence for each audit to which they are assigned by completing the OIG Independence Certification Form (Appendix E). Independence of the individual performing the quality control review is documented during completion of the appropriate QC Checklist in TeamMate. Independence of the Director, DAIG, AIGA, and Legal Counsel is documented by completing the annual independence certification form discussed in Chapter 6.

Each auditor is responsible for reporting immediately to their director any personal impairment to independence, real or perceived. The director should (1) determine if the auditor should be reassigned to another project, (2) determine if the auditor can continue by limiting their participation on the current project, or (3) otherwise resolve the conflict. Threats to independence should be evaluated using the conceptual framework referred to in GAGAS and threats determined to be at an unacceptable level should be documented as along with the safeguards applied to eliminate or reduce the threats to an acceptable level. See the Flowchart for Evaluating Threats to Independence on page 32 (end of Chapter 3). The AIGA/DAIGA should be notified of the decision regarding the manner in which the matter was resolved.

Research (GAGAS 6.11)

Research consists of gathering information applicable to the (1) nature and profile of the program and user needs, (2) internal controls, (3) information systems controls (4) laws, regulations, contracts, grant agreements, potential fraud and abuse, (5) previous audits and attestation engagements, (6) ongoing investigations, and/or (7) other information deemed appropriate. Information obtained during this research will be used in assessing audit risk and significance so that audit steps may be designed to reduce audit risk to an acceptable level.

TVA specific information can be obtained through TVA InsideNet, TVA computer applications, TVA employees, and non-TVA employees. Include searches of the TVA Procedure Center, available on

TVA's internal website, for policies, procedures, work instructions and other published information related to the program under audit.

Nature and profile of program, and potential report user needs (GAGAS 6.11a, 6.13)

- Visibility, sensitivity and relevant risk associated with audit subject
- Age of the program or changes in its conditions
- Size of the program (total dollars, number of users affected, other)
- Level and extent of review or other forms of independent oversight
- Program's strategic plan and objectives
- External factors or conditions that could directly affect the program
- Potential users of the report
- Potential uses of the report
- Purpose and goals
- Program operations
- Accomplishments or results of the program

Internal controls (GAGAS 6.11b, 6.16)

- Gain an understanding of internal controls as it relates to the audit objectives and scope
- Effectiveness and efficiency of program design and operations
- Relevance and reliability of information
- Compliance with applicable laws, regulations, contracts, and grant agreements
- Controls over safeguarding of assets and resources

Information Systems Controls (GAGAS 6.11c, 6.24, 6.27)

- Gain an understanding of the system as it relates to the audit objectives
- If significant to the audit objectives, test the effectiveness of:
 - Information system general controls
 - Application controls
 - User controls
- Determine relationship of information systems controls to data reliability

Laws, Regulations, Contracts, Grant Agreements, Potential Fraud and Abuse (GAGAS 4.06, 4.08-4.09, 5.07, 5.09, 6.11d, 6.28)

- Identify provisions of laws, regulations, contracts, or grant agreements, and potential fraud and abuse that are significant within the context of the audit objectives.
- Design and include procedures to (1) obtain reasonable assurance of detecting instances of non-compliance and/or (2) ascertain potential effect or impact of non-compliance.

Previous Audits and Attestation Engagements

- **OIG (GAGAS 4.05, 5.06, 6.11f, 6.36, 6.40)**
 - Search audit documentation systems for previous audits or other related work using keywords from the objective(s), scope and any background information gathered. From the results, identify and review pertinent audits and document significant/material information related to the audit, including findings, recommendations (open and closed), and management actions. Evaluate whether appropriate corrective action to address previous findings/recommendations significant to current objective(s) have been taken or other previous work of the OIG poses a threat to OIG independence that should be evaluated prior to starting the engagement.
 - An e-mail should be sent to all OIG personnel requesting information related to the audit. The e-mail should include a description of the audit and high level objective(s) and scope, as applicable. Any responses from OIG personnel should be included in the audit documentation as deemed necessary.
- **Non-OIG (GAGAS 3.107, 6.406.41)** – Request completed audits and/or reviews, performed outside the OIG from the auditee or the other auditors.

Investigations (OIG Indices Search) (GAGAS 4.09, 5.10, 6.11e, 6.35)

An indices search should be performed for each audit regardless of prior indices search results. Identify the individuals (TVA employees and non-TVA individuals), companies, areas, or processes involved in the program under audit, and send an e-mail with this information requesting an indices search to the appropriate OIG Investigations personnel.

Investigations personnel will conduct a search to identify (1) any investigation in which the requested names are the subject of an ongoing investigation and (2) any closed investigation in which the requested names were the subject within the past 5 years. For any investigations identified, the auditor will be provided with the Matter Id, Matter Description/Title, Lead Agent, Status (Active, Closed and Closed Date), and Outcome (i.e., Allegation substantiated or not substantiated). The auditor may contact the lead agent for additional information. This information should be discussed with the Director and documented.

In some cases, it may be appropriate for the auditors to work with investigators or legal authorities, or withdraw from or defer further work on the audit or a portion of the audit to avoid interfering with an ongoing investigation or legal proceeding.

Scheduling Memo (GAGAS 4.03-4.04, 5.04-5.05, 6.12e, 6.47–6.49)

The purpose of the scheduling memo is to notify the auditee (those with authority and responsibility for oversight and implementation of corrective actions) and/or the requester of the audit. The scheduling memo should include the high level objective(s) and scope; the names of the responsible lead auditor and director, or the director and AIGA/DAIGA as appropriate; and be addressed to the official responsible for the program under review with other affected entities and parties included on the scheduling memo distribution. The memo should include a description of the type of service to be performed and the level of assurance to be provided if an attestation engagement is planned. The scheduling memo should be reviewed and approved by the appropriate director prior to appropriate OIG management signature and issuance.

Entrance Conference (GAGAS 4.03-4.04, 5.04-5.05, 6.12e, 6.47-6.49)

The auditor will schedule and conduct an entrance conference with those with authority and responsibility for oversight and implementation of corrective actions for the area under audit (i.e., management of audited entity, those charged with governance, individuals contracting for or requesting audit services, or the cognizant legislative committee). During this conference, the high level objective(s), scope, and methodology should be explained and subsequently, refined as needed. In addition, policies, procedures, work instructions, non-OIG audit and/or review results and other information can be requested that may add to the audit team's understanding of the area under audit.

Discuss and document the following:

- Estimated timing and planned reporting (GAGAS 6.47).
- Individuals to be included in communications about the audit (GAGAS 6.48).
- Previous audits or studies directly related to the objectives of the audit, including whether related recommendations have been implemented (GAGAS 4.05, 5.06, 6.36).
- Whether regular status updates will be performed, and if so, the form, content, and frequency of the updates (GAGAS 6.49).
- Main contacts for requesting evidence and scheduling meetings and interviews.
- Type of service to be provided, for example, audit, attestation review, examination, or agreed-upon procedures, or non-audit service.

Go/No Go (GAGAS 6.50, 7.06)

The assessment of whether to continue the audit occurs throughout planning and fieldwork. Go/no-go decisions are made on the basis of a clear understanding of the issues to be addressed, the audit approach to be used, and the auditee's/requestor's needs. The decision to continue or terminate the audit should be based in part upon professional judgment as to the probable impact on TVA's operations in terms of improving management practices and/or saving money.

If a "no-go" decision is made, auditors should document the results of the work to date of termination and why the audit was terminated. In addition, a close-out memorandum which describes the reason(s) for terminating the audit may be issued to the appropriate TVA official.

Audit Plan (GAGAS 5.02, 6.06, 6.12f, 6.51, 6.83a)

An audit plan will be documented that includes appropriate information on the background, objectives, scope and methodology, detailed audit steps to accomplish the objectives, estimated milestone dates, and other information discussed below as necessary. The lead auditor submits the audit plan to the director for review and approval. See TeamMate EWP Protocol Manual for details.

Audit plans are living documents and may change during fieldwork or report phases. The plan should be revised in consultation with the director. If changes are made, the director's approval is required which may be documented in the audit plan or by e-mail. The auditee should be kept apprised of any significant changes to the audit plan, particularly, changes to the audit objective(s) and milestones previously communicated to the auditee.

The audit plan will include:

- Background – Using the information gathered during the background research and the audit planning process, write a summary of the program to be audited, be sure to include information relevant to the objective and scope. This information may be modified as necessary to be used for the background in the report.
- Objective (GAGAS 6.83a) – Objectives define what the audit is intended to accomplish. Audit objectives can be thought of as questions the auditors seek to answer based on evidence obtained and assessed against criteria. The objectives will generally determine the type of work to be performed (i.e., financial audit, attestation engagement (examination, review, or agreed-upon procedures), or performance audit) and the auditing standards to be followed.
- Scope (GAGAS 6.83a) – Scope defines the boundaries or parameters of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, necessary documents or records, the period of time reviewed, and the locations that will be included. The auditor should include a discussion of any scope limitations and/or exclusions with an explanation of the corresponding impact of the restriction to achieving the audit objectives.
- Methodology (GAGAS 6.07, 6.10, 6.83a) – The Methodology section describes the nature and extent of audit procedures the auditor will perform in gathering and analyzing evidence/audit documentation to achieve the objectives. The methodology should be designed to reduce audit risk to an appropriate level and obtain reasonable assurance that the evidence is sufficient and appropriate to support the findings and conclusions in relation to the audit objectives.
 - People to interview (as applicable).
 - Locations to visit (as applicable).
- Control & Fraud Risk Assessment (GAGAS 5.06, 5.7, 6.11d, 6.30-6.32, 6.34 and AT 101.54) – The audit team should discuss and document fraud risks significant within the context of the audit objective(s) or that could affect the findings and conclusions, including the following:
 - Non-compliance with provisions of laws and regulations, provisions of contracts or grant agreements.
 - Open recommendations from previous audits.
 - Opportunities for fraud, abuse, and illegal acts.
 - Individuals' incentives or pressures to commit fraud.
 - Rationalizations or attitudes that could allow individuals to commit fraud.
 - Behavior that is deficient or improper.
 - Misuse of authority or position for personal benefit.

If significant fraud risks are identified, then design and include procedures to obtain reasonable assurance of detecting fraud. In addition, if auditors become aware of abuse that could be quantitatively or qualitatively significant to the program under audit, auditors should apply audit procedures specifically directed to ascertain the potential impact or effect on the program under audit within the context of the audit objectives.
- Audit Risk Assessment (GAGAS 6.04, 6.05, 6.07, 6.11, 6.12) – All auditors should assess audit risks throughout the audit including threats to independence and take appropriate actions as necessary. The assessment of audit risk and significance can be a separate document that is either summarized and referred to in the audit plan or documented in its entirety in the audit plan.

Significance is the relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors. Professional judgment assists auditors when evaluating the significance of matters within the context of the audit objectives. (Definition GAGAS 6.04) Audit Risk is the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete, as a result of factors such as evidence that is not sufficient and/or appropriate, an inadequate audit process, or intentional omissions or misleading information due to misrepresentation or fraud. The assessment of audit risk involves both qualitative and quantitative considerations. Audit risk includes the risk that auditors will not detect a mistake, inconsistency, significant error, or fraud in the evidence supporting the audit. (GAGAS 6.05)

In order to refine the objective and scope and design the methodology, the auditor should assess audit risk and significance within the context of the preliminary audit objective(s), considering (1) information obtained during background research, (2) criteria, (3) sources of evidence, (4) reliance on work of others, and (5) staffing.

- Criteria (GAGAS 6.12a, 6.37) – Identify criteria relevant to the audit objectives that permit consistent assessment of the audited area. Criteria can include laws, regulations, contracts, grant agreements, standards, specific requirements (e.g. TVA policies & procedures), measures, expected performance, defined business practices (e.g. industry & government best practices as well as professional organization best practices), and benchmarks to compare and/or evaluate performance against. The criteria can be documented separately and referred to in the Audit Plan.
- Sources of evidence/Evidence to obtain (GAGAS 6.12b, 6.38 – 6.39) – List sources and types of evidence along with any limitations or restrictions identified during planning.
- Reliance on work of others – If there will be reliance on the work of others; steps should be taken to establish reliability of the work of others, including reviewing their qualifications. (GAGAS 6.12c, 6.40-42)
- Staffing (GAGAS 6.12d, 6.45-6.46) – The director will assess skills needed to determine whether auditors have the essential skills needed to perform a particular audit. Auditors assigned to conduct an audit should collectively possess the technical knowledge, skills, and experience necessary to be competent on the audit. (GAGAS 3.72) This includes:
 - Knowledge of applicable GAGAS.
 - General knowledge of the audit environment.
 - Oral and written communication skills.
 - Statistical or nonstatistical sampling skills, if appropriate.
 - Information technology, if appropriate.
 - Engineering, if appropriate.
 - Specialized audit methodologies or analytical techniques, if appropriate.
 - Specialized knowledge of particular subject matters (e.g. scientific, medical, environmental, educations, etc.), if appropriate.

- Supervision (GAGAS 6.53) – OIG audit work will be properly supervised to ensure quality and timely work is performed and provide for appropriate staff development. Audit supervision includes directing the efforts of auditors and others (including specialists and external consultants) who are involved in the audit to ensure the audit objectives are being accomplished. Elements of supervision include providing sufficient guidance to staff members, staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.

Directors are responsible for providing and/or ensuring appropriate supervision is provided on all assignments. Directors may delegate project supervision to the Audit Manager/lead auditor depending upon assignment complexity and staff competency. Directors are responsible for monitoring and overseeing any supervisory responsibilities delegated to others.

- Sampling Plan (GAGAS 7.13) – If the auditors plan to use sampling to accomplish any of the objectives, the auditor should include a sampling plan as part of the audit plan or as an addendum. See detailed discussion below in Fieldwork. The sampling plan should include:
 - Type of sampling to be performed (statistical or non-statistical).
 - Sampling attributes (confidence level and precision).
 - Sampling selection and evaluation methodology (attribute or variable and how to select and evaluate sample).
- Audit Program(s) – Detail audit procedures (steps).
- Milestones – The estimated milestones must be entered into TeamMate. The audit team should base these dates on the team's analysis of the time needed to complete the audit at the expected staffing level. The lead auditor should revise the milestones in consultation with the director as necessary. Written justification and director approval are required for milestone change(s). See TeamMate Protocol Manual for specifics on how to document the milestones.
 - Start Date – The project is considered “started” when the scheduling memo has been sent to the auditee and/or requester communicating the project objectives, the type of service to be performed, and other relevant information.
 - Planning Complete – Project planning is considered complete when relevant general administration and background procedures have been completed, the project plan has been substantially completed, and the project lead believes minimal revisions to the project plan are necessary.
 - Draft Report Issued – The draft report date is an estimate of when the audit team anticipates the draft report will be finished, reviewed (including quality control), and ready to be issued. This milestone should be included in the audit plan.

FIELDWORK (GAGAS 6.79)

The goal of this phase is for the audit team to perform the audit steps outlined in the approved audit plan to address the audit objectives and support the findings and conclusions. This phase includes obtaining sufficient and appropriate evidence; use of sampling methods; audit documentation; exit conference; indications of fraud; and management alert.

Evidence (GAGAS 6.56-6.58, 6.62, 6.65-6.67)

Evidence is what you obtain, from whatever source and in whatever format, to review and/or analyze. Therefore, evidence may be obtained by observation, inquiry, or inspection, and can be categorized as physical, documentary, or testimonial. For clarification purposes, evidence is not the documentation of analytical processes (i.e. spreadsheets, computations, comparisons, separation of

information into components or rational arguments) that the auditor performs (i.e., work performed).

Auditors must obtain appropriate and sufficient evidence to comply with *Government Auditing Standards* and provide a reasonable basis for the findings and conclusions (GAGAS 6.56). The following definitions can assist in determining if audit evidence is appropriate and sufficient.

- Appropriateness (Relevant, valid, reliable) (GAGAS 6.57) – Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity, and reliability in providing support for findings and conclusions related to the audit objectives.
- Sufficiency (Enough) (GAGAS 6.57) – Sufficiency is a measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives. In assessing the sufficiency of evidence, auditors should determine whether enough appropriate evidence has been obtained to persuade a knowledgeable person that the findings are reasonable.

In determining the sufficiency and appropriateness of evidence, auditors should exercise professional skepticism, which is an attitude that includes a questioning mind and a critical assessment of evidence. In exercising professional skepticism, auditors should not be satisfied with less than persuasive evidence. In addition, auditors may use analytical processes, i.e. computations, comparisons, separation of information into components, and rational arguments, to determine whether evidence gathered is sufficient and appropriate. The nature and types of evidence to support auditors' findings and conclusions are matters of the auditors' professional judgment based on the audit objectives and audit risk.

Types of Evidence (Definition GAGAS A6.04)

- Physical
- Documentary
- Testimonial (GAGAS 6.62)

Each type of evidence has its own strengths and weaknesses. See GAGAS 6.61 to assist in determining the strength of the evidence gathered.

Information Provided by Auditee (GAGAS 6.65)

When auditors use information provided by the auditee as evidence, determine the reliability of the information. Direct testing of the information provided or testing of the auditee's procedures may be necessary.

Computer Processed Information (GAGAS 6.66)

Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether the information is provided to the auditors or the auditors independently extract the information. The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness is affected by the effectiveness of the audited entity's internal controls over the information including information systems controls and the significance of the information and the level of detail presented in the findings and conclusions.

Sampling Methods

Audit sampling is the application of an audit procedure to less than 100 percent of the items within a class of transactions or items for the purpose of evaluating selected characteristics of the data population. When sampling is used, the method of selection that is appropriate will depend on the

audit objectives. Auditors may use either statistical or non-statistical sampling procedures to evaluate the population. For additional guidance see other resources such as AICPA Sampling Guide, Federal Information System Controls Audit Manual (FISCAM), and Appendix B, Statistical Sampling Techniques, in the Defense Contract Audit Agency (DCAA) Contract Audit Manual.

- Statistical – Can project results of sample tested to population with measurable precision. Examples of determining sample size include:
 - Variable – (e.g. Dollar unit) – based on presumed universe error rate, precision goals e.g. precision/materiality/confidence.
 - Attribute – (e.g. Discovery, One-Step, Two-Step, Rate Estimation) – based on error rate and risk.

After the sample size has been determined, select items randomly.

- Non-statistical (Judgmental) – Cannot project sample results to population with measurable precision.
 - Auditor’s professional judgment should be applied in determining the number of items to select and the method used to select them.
 - Methods for selecting sample items include:
 - Random – based on consecutively numbered population and use of random number generator to select.
 - Haphazard – does not mean careless selection. Each item has equal opportunity to be selected, however it is not systematic.
 - Systematic – based on predetermined interval (i.e., every nth item).
 - Block – based on predetermined criteria (ex: transactions greater than \$x; invoices dated within specific time frame, specific geographic locations).
 - Target – based on risk and characteristics of the population.

If the auditors plan to use sampling to accomplish any of the objectives, the auditor should include a sampling plan as part of the audit plan or as an addendum that should be approved by the director prior to the sampling being performed.

The sampling documentation should include:

- A statement of the sampling objective (i.e., why you are pulling a sample).
- Description of the audit universe or population (i.e., count, dollars, etc.), including the auditors consideration of the completeness of the population.
- Type of sampling to be performed (statistical or non-statistical).
- Sampling selection and evaluation methodology.
- Sampling attributes (confidence level and precision), if applicable.
- Description of the sampling unit.
- Items or transactions to be tested.

When sampling significantly supports the auditors' findings, conclusions, or recommendations, the report should:

- Describe the sample design, including whether statistical or non-statistical sampling was used.
- Explain why the design was chosen.
- Indicate the size of the sample reviewed or tested in relation to the size of the population.
- Include whether the results can be projected to the intended population. (GAGAS 7.12 and 7.13).

Audit Documentation (GAGAS 5.16, 6.79-6.81, 6.83b)

Auditors must prepare audit documentation related to the planning, conducting and reporting for each audit which includes the collection of schedules, papers, analyses, correspondence, and other material prepared or obtained by the auditor during the audit. The purpose of audit documentation is to demonstrate the work performed and serve as the basis for developing the audit report. Therefore, the audit documentation must accurately document and present the facts, and effectively support report findings, conclusions, and recommendations. (GAGAS 6.79 – 6.81)

Overall audit documentation should include:

- Objective, scope and methodology (documented in the Audit Plan).
- Work performed and conclusion/findings.
- Evidence obtained to support significant judgments and conclusions (copies of documents examined or detailed listings of information from those documents are not required, however, source information should be included that allows an experienced auditor to retrieve the original evidence).
- Supervisory review.
- Overall Assessment.
- Departures from GAGAS, if applicable.

Documenting Work Performed and Conclusions/Findings (OIG Summaries, Write-ups, Analysis) (GAGAS 4.10, 5.11, 6.73)

When a section summary (i.e., lead summary work paper) is used, it should include the results of the work performed and an assessment of the sufficiency and appropriateness of audit documentation gathered to support the auditor's conclusions on the section. The section summary should include a precise statement of the audit objective, an outline of the work performed, the essential facts obtained, and the auditor's conclusions on the audit objective.

When documenting the work performed, the audit documentation should include purpose, source of all evidence utilized, description of work completed and conclusions. In addition, audit documentation should contain sufficient information to enable an experienced auditor who possesses the competencies and skills that would have enabled him or her to conduct the audit and who has had no previous connection with the audit, to understand the nature, extent and results of audit procedures performed, evidence obtained and its source and the conclusions reached. (GAGAS 6.83)

A finding is complete to the extent the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding. When developing finding(s), consider the following:

- Condition – current situation as it exists (e.g. error or issue identified).
- Criteria – required or desired state or expectation with respect to the program or operation.
- Cause – reason or explanation of the factors responsible for the difference between the current state (condition) and the required or desired state (criteria).
- Effect or potential effect – impact, outcome(s), or consequence(s) of the condition.

Auditors should develop recommendations for findings that are significant within the context of the audit objectives.

Documenting Evidence (GAGAS 6.83b)

Audit documentation should include the source (auditee, OIG, or other), purpose (as it relates to the audit objective), and date the evidence was obtained. For example, a spreadsheet obtained from the auditee should clearly indicate which data/information/analysis was provided by auditee versus generated by OIG personnel. OIG comments and annotations should be clearly indicated as such.

Auditors should reference the work performed to the work papers where that data was obtained. Only one-way referencing is necessary. One-way referencing allows tracing the source of the data on a work paper to the work paper where that data originally appeared. Cross-referencing allows tracing of information in both directions, both from a summary work paper to source documents and also from the source documents forward to the summary. Referencing will be accomplished using hyperlinking and/or embedding documents within another document.

Supervisory Review (GAGAS 4.15a, 6.53, 6.53, 6.83c)

Supervisory review of audit documentation is an important element of an effective audit because it provides added assurance that review objectives were fully addressed and that all potential findings have been recognized, properly developed, and adequately supported. The lead auditor is responsible for ensuring that the audit documentation is prepared in a timely manner and reviewed. See TeamMate Protocol Manual for specifics on how to document the supervisory review.

The lead auditor, or another, as designated by the director, reviews and approves the audit documentation of the team members. However, because review of working papers is a supervisory function, this cannot be performed by the same person who is also responsible for performing the independent quality control review. Documentation of supervisory review will include the following:

- The director will review and approve the audit plan which will contain specific information about the areas to be audited and planned supervision. The director will sign the audit plan when approved.
- Lead auditor, or as delegated by the director, will perform a review of the audit documentation prepared by other auditors assigned to the audit. The director will determine the extent of review needed for audit documentation prepared by the lead auditor after giving consideration to factors such as significance of the work and experience of the lead auditor. The review of the lead auditor audit documentation can be conducted as follows:
 - The director can perform the review.
 - The director can delegate this review to an auditor classified as level 3 or above who does not also perform the quality control review of the report.

Retention of Audit Documentation (GAGAS 3.92)

OIG Administrative Handbook Section 4.3 Records Management documents the policy followed for OIG audit documentation.

Overall Assessment (GAGAS 6.58, 6.69, 6.71-6.72)

In assessing evidence, auditors should evaluate whether the evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting findings and conclusions (GAS 6.58). See Appendix D for the template.

Evidence is not sufficient or not appropriate when (1) using the evidence carries an unacceptably high risk that it could lead the auditor to reach an incorrect or improper conclusions, (2) the evidence has significant limitations, given the audit objectives and intended use of the evidence, or (3) the evidence does not provide an adequate basis for addressing the audit objectives or supporting the findings and conclusions. When limitations or uncertainties in evidence are identified, additional procedures should be applied as appropriate to validate the evidence is both sufficient and appropriate. (GAGAS 6.72) In assessing the overall appropriateness of evidence, auditors should assess whether the evidence is relevant, valid, and reliable.

Departures from GAGAS Requirements (GAGAS 4.15b, 6.84)

Departures from GAGAS must be discussed with and approved by the Director. Auditors should clearly document the justification for the departure from GAGAS and the impact on the audit and on the auditors' conclusions.

Internal and External Access to Documentation (GAGAS 3.92)

Access to project documentation by OIG audit staff and change control is accomplished through the assignment of roles and authorities and logs within TeamMate, respectively. Additional restrictions can be implemented within TeamMate at the project or document level, such as redactions, at the director's discretion. See TeamMate EWP Protocol Manual for details. See OIG Administrative Handbook section 5.2 Protection of Information for additional information and policy related to sensitive/restricted information. When requested, auditor will make appropriate individuals as well as audit documentation available upon request in a timely manner to other auditors auditing programs of common interest. (GAGAS 6.85)

Exit Conference (GAGAS 6.47 – 6.49)

The lead auditor is responsible for ensuring the exit conference is performed and documented. At a minimum, the preliminary findings and recommendations that will be discussed should be documented. In cases where the auditee does not accept the offer for an exit conference, then the lead auditor should ensure the auditee's rejection is documented. The lead auditor should consult with the director as to whether value would be added by having the director, AIGA, DIG, and/or IG attend the exit conference. In summary, the findings and recommendations or potential solutions to issues should be conveyed to the auditee. The lead auditor should also strive to obtain the auditee's views as to what needs to be done to correct identified issues.

Indications of Fraud (GAGAS 6.32)

Whenever an auditor discovers any indication of potential fraud or other criminal conduct, the auditor should promptly advise his/her director orally or in writing. The auditor and director should discuss the significance of potential fraud and impact, if any, on the audit objective(s)/findings and the need to extend audit steps. The auditor, director, DAIGA, or AIGA may discuss the issue(s) with Investigations personnel or Legal Counsel as needed. If it is determined that there is a possibility

of fraud or other criminal conduct, audit staff should prepare an e-mail or memorandum to the Assistant Inspector General, Investigations (AIGI) which documents the potential wrongdoing. The e-mail or memorandum should specifically state what issues are being referred to Investigations and the basis for believing such issues involve fraud or other criminal conduct. If Investigative Operations determines that an investigation should be conducted, the related audit activity may continue to the extent that the audit work, and/or the issuance of the report, will not impede or interfere with the conduct of the investigation, as determined by the AIGA and AIGI.

Management Alert

During fieldwork, if issues are identified that the audit team considers high risk (i.e. pose an immediate threat) and should be communicated to TVA management and addressed as soon as possible (before the audit report is issued), the following steps should be followed:

- Inform director, DAIG, and/or AIG as appropriate of the issue(s).
- Determine whether or not a "Management Alert" should be issued to TVA management.
- Prepare Management Alert memo for OIG management signature.
- Issue Management Alert.
- Include Management Alert as part of the audit documentation.
- Include finding, recommendation, and any actions taken in audit report.
- Reference the management alert in the audit report.

REPORTING (GAGAS 4.33, 6.79, 7.03-7.04)

The goal of the reporting phase is to communicate the results of the audit utilizing a written format. Typically the reporting phase consists of writing a draft, internal reviews, issuing a draft, incorporating auditee management comments, and issuing a final report. The DAIGA or AIGA will sign audit reports and ensure that reports follow a consistent format. For details on report writing see Guide for Writing and Reviewing Audit and Evaluation Reports and Report Style Manual Supplement available on the OIG Wiki.

Types of Reports

Depending on user needs and the amount and complexity of information that needs to be communicated, the following reporting formats may be used.

- Chapter Report – Used when reporting objectives are broad and the audit results cannot be fully conveyed in less than five pages.
- Memorandum Report – Used when reporting objectives are specific and the audit results can be fully discussed in three to four pages (may also be used for closeout reports).
- Briefing Slides – Used as alternative to chapter and memorandum reports and can be requested by TVA management or selected by OIG management.

Report Content

The report should include, at a minimum, the following:

- Background.
- Objective(s), Scope, Methodology (GAGAS 4.2, 7.08(1), 7.09 – 7.13, 7.16).
 - Include any limitations or uncertainties based on overall assessment of the sufficiency and appropriateness of the evidence in the aggregate (GAGAS 7.12).
 - Include scope of work on internal control(s) (GAGAS 7.19).
 - Describe sampling, if used (GAGAS 7.13).
- Audit Results / Findings / Conclusions / Recommendations, as appropriate (GAGAS 4.29, 5.28, 7.08(2), 7.09, 7.14, 7.16 – 7.17, 7.27-7.28).
 - Include sufficient, appropriate evidence or describe limitations. (GAGAS 4.32, 5.31, 7.14 – 7.15).
 - Include significant deficiencies and/or material weaknesses in internal controls, instances of fraud, noncompliance with laws, regulations, contracts, or grant agreements, abuse that may have occurred. (GAGAS 4.17b-c, 4.19, 4.22-23, 4.25-4.26, 4.28, 5.18b, 5.20(2)-(4), 5.20-22, 5.24, 5.25, 5.27, 5.49, 5.59, 7.18-19, 7.21-7.22)
 - Include a statement about compliance with or departures from GAGAS (unmodified/modified/non-compliance) and other standards, as appropriate. (GAGAS 2.22-2.25, 4.17a, 4.18, 5.18a, 5.19, 5.50a, 5.51, 5.60a, 5.61, 7.08(3), 7.30-7.31)
 - Include a summary of the views of responsible officials. (GAGAS 7.32-7.38)
 - Include whether confidential or sensitive information has been omitted and the reason or circumstances that made the omission necessary. (GAGAS 4.17e, 4.40, 4.43, 5.18d, 5.39, 5.42, 7.08(5), 7.39, 7.42)

Monetary Audit Results

When reasonably possible, quantifiable potential savings associated with the results of audits will be: (1) identified and developed during the course of the audit; (2) discussed with appropriate auditee officials; (3) detailed in the audit report; and (4) included in the OIG Semiannual Report to Congress. In accordance with the reporting requirements established by the Inspector General Act of 1978, as amended, quantifiable potential savings will be recognized in the following categories:

- Questioned Costs – Costs that are ineligible, unsupported, or unrecoverable.
 - Ineligible Costs – An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds.
 - Unsupported Costs – A cost that is questioned because of the lack of adequate documentation at the time of the audit.
 - Unrecoverable Costs – A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Funds Put To Better Use – Funds which the OIG has disclosed in an audit report that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures.

Reporting Confidential and Sensitive Information (GAGAS 4.44; 4.45a-c; 5.43-5.44a-c; 7.39-7.44)

The report should include a statement about any pertinent information that was omitted because it is deemed (1) confidential, (2) sensitive, or (3) prohibited from general disclosure by laws or regulations. Information prohibited from general disclosure by laws and regulations may be provided on a need-to-know basis only to persons authorized by law or regulation to receive it. Before omitting pertinent data from the report, the lead auditor should (1) evaluate whether this omission could distort the audit results or conceal improper or illegal practices, (2) obtain assurance that a valid requirement for the omission exists, and (3) consult with Legal Counsel.

Reporting Fraud, Noncompliance with Provisions of Laws, Regulations, Contracts, or Grant Agreements, or Abuse (GAGAS 4.30-4.32, 5.29-5.31, 7.24-7.26)

Auditors should report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the audited entity when entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation. Auditors should first communicate the failure to report such information to those charged with governance. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the information directly to the specified external parties.

Draft Report Review Process (Or Final If No Draft Issued)

This process includes reviews by the director; QC reviewer; Legal Counsel; management assistant; and AIGA or DAIGA. An additional independent review may be performed as deemed necessary.

Director Review

Upon completion of the initial draft report, the lead auditor will provide the director with a copy of the draft report. The director will review the draft report and provide comments to the auditors. The lead auditor and/or team resolve the director's comments.

Quality Control (GAGAS 3.82a, 3.84, 3.85e)

All reports issued by Audit Operations will go through the QC process, and all questions will be resolved before the report is sent to OIG management for signature. The audit director will designate an experienced auditor not associated with the audit work to perform the QC.

The lead auditor should ensure the QC reviewer has the following:

- A clean copy of the report for the reviewer to perform a cold read.
- A copy of the report referenced via hyperlink to supporting audit documentation.
 - Synopsis or executive summary is to be referenced to appropriate sections of the report body.
 - Background, objective, scope, methodology and findings within the report are referenced to the supporting audit documentation.
- A QC checklist applicable to the type of audit performed.
- Access to all audit documentation associated with the audit.

The QC reviewer should:

- Perform a cold read.
- Verify statements in the report using the references and hyperlinks to audit documentation.
- Determine adherence to audit standards.
- Ensure audit documentation has been reviewed by lead auditor, director, or designee.
- Complete the appropriate QC checklist.

Cold Read

The QC reviewer should perform a cold read of the report before reviewing any other audit documentation related to the audit. The focus should be on assuring, to the extent possible, the report and information therein are timely, complete, accurate, objective, convincing, clear, and concise. Corrections may be made to grammar to improve the quality of the report, but the choice of words should only be critiqued for suggested changes if, in the opinion of the reviewer, the meaning needs to be clarified for the knowledgeable report user.

The QC reviewer will provide comments to the lead auditor based on the cold read. For any comments that are resolved, the QC reviewer will sign off, and for any comments not resolved, the director will make the final decision, and sign off on the comment.

Reference Verification

The QC reviewer should review the referenced audit documentation to ensure the audit documentation supports the findings, conclusions, and recommendations. In verifying the accuracy of each fact in the report, the reviewer should verify every statement in the audit report is referenced to and supported by the audit documentation, and every recommendation is logical and feasible based on the findings reported. For example:

- Factual statements are verified to ensure that they are factual, rather than allegations, suppositions, opinions, or conclusions; however, the wording in the report does not need to be verbatim of that in the work papers.
- References to statutes, executive orders, regulations, and directives are verified to ensure that each reference is accurate and pertinent.
- Names of organizations, places, and publications are verified to ensure that each name and spelling are correct.
- Opinions of Specialists are supported by source documentation (reports provided by Specialists, etc.). QC reviewer should also verify that the audit team assessed the professional qualifications and independence of the specialists.
- Quotations are verified for verbatim accuracy and to ensure they are not being used out of context; and, all numbers and dollar amounts are verified for accuracy. When shown as being carried forward from a prior OIG report, the amounts should be verified with the prior report. All quantities and/or dollar amounts, either set forth in schedule form in the report narrative or shown on exhibits and schedules attached to the report, should be footed, cross-footed, and verified to the supporting audit documentation.

QC Checklist

Using the QC Checklist in effect on the date fieldwork was started (Appendices A-C), the QC reviewer should review the audit for adherence to GAGAS standards. When the review is completed, the reviewer notifies the lead auditor and provides comments. The lead auditor reviews

QC reviewer comments and provides resolution. The lead auditor notifies the QC reviewer of the resolution of all comments. The reviewer notes his/her acceptance or rejection of each individual response. If the reviewer rejects the auditor's response to a review item, the reviewer and the auditor should discuss and resolve the issue, if possible. If resolution is achieved, the nature and facts of the agreement are documented. For any unresolved issues between the reviewer and the lead auditor, the director should make the final decision on the matter. After all QC points are resolved, the QC reviewer and director sign the Quality Control Review Statement as preparer and reviewer, respectively.

Additional

If at any time during this process material changes are made to the report, as deemed by the director, the director should resubmit such changes in the report for QC review and resolve any additional review points, as appropriate.

Upon completion of the QC review, any recommended changes to the draft report will be coordinated by the lead auditor with the director.

Prior to submitting the report to the AIGA, the director will document approval of the QC review and certify that adequate supervision was provided throughout the assignment.

Legal Review

The director or designee submits the report to Legal Counsel to perform a legal sufficiency review. At the director's option, the report may either be submitted concurrently to Legal Counsel and the QC reviewer, or submitted to Legal Counsel for review after the QC review is completed. Legal Counsel will provide comments, if any, to the director and/or lead auditor. Any comments will be resolved prior to submitting the report to the AIGA.

Management Assistant Review

The report should be submitted to an OIG management assistant prior to submitting the report to the AIGA or DAIGA. The primary purpose of the administrative review is to proofread and identify any punctuation, spelling or grammatical errors. This review also includes a general evaluation of the report's formatting (e.g., paragraphs, columns, special fonts, colors, headers and footers).

DAIGA or AIGA Review

Upon completion of the management assistant's administrative review, the report will be submitted to the DAIGA or AIGA for review and approval. The DAIGA or AIGA will review the report and provide comments to the lead auditor and or director for resolution. The lead auditor and/or director will resolve the DAIGA's or AIGA's comments and then resubmit the report to the management assistant.

Final Administrative Review

The report will be submitted to an OIG management assistant for review prior to submitting the report to the AIGA or DAIGA for signature.

Transmittal Memo (And Letter If Applicable)

- A transmittal memorandum is addressed to the senior vice president, corporate vice president, TVA Board, or CEO responsible for the program, activity, or function covered by the audit. The memorandum is signed by the AIGA or DAIGA for draft and final reports. The due dates normally are 30 days for comments on draft reports and 60 days for management decision on

final reports. However, the due date for comments on draft reports may be adjusted commensurate with the complexity of the report and may be less than 30 days. The due date for management decision should not exceed six months.

- A transmittal letter is prepared and sent to individuals/companies outside of TVA for appropriate audits (typically contract audits). The transmittal letter should be addressed to the senior official responsible of the company, or for larger companies the senior official responsible for the program, activity, or function covered by the audit. The letter is signed by the AIGA or DAIGA for draft and final reports.

Request for Management Comments on Draft Report

The AIGA or DAIGA submits the draft report to the auditee requesting comments, typically, within 30 calendar days, as appropriate. If comments are not received within a reasonable time as determined by the director and AIGA or DAIGA, the final report may be issued without comments. In such case, the final report should state that comments were requested and not provided within a reasonable amount of time. (GAGAS 7.38, 4.39, 5.38)

Request for Management Decision on Final Reports

Upon issuance of a final audit report on which management decision was not included for all findings and recommendations in comments received, the transmittal will include a request for management decision, typically, within 60 calendar days from the date of the final report. This response should provide the OIG with a decision on actions planned and target dates to address the findings and recommendations in the report.

Request for Notification of Final Action

In consultation with the department director, the lead auditor will review management's response and assess the adequacy of managements' planned actions for management decisions received prior to issuance of the final report. If the response is considered adequate, TVA management will be requested to notify Audit Operations when the planned actions are completed (referred to as final action). If the planned actions are determined to be inadequate to address the findings, the department director and the lead auditor will consult with the AIGA. The AIGA will determine whether to notify TVA management of a disagreement with the planned actions and request alternative actions.

Distribution (GAGAS 5.52a-c, 5.62a-c, 7.44a)

Audit reports should be distributed to the TVA Board, to the appropriate audited entity officials who are responsible for acting on audit findings and recommendations, and to those requesting or requiring the audit. As appropriate, auditors should also distribute copies of the report to other officials who have legal oversight authority and to others authorized to receive such report.

Final Report Process (If Draft Issued)

For the final report, this phase includes revising the report as necessary based on management's comments received, summarizing the comments and the OIG's views related to the comments, the director review, and an AIGA or DAIGA review.

Incorporate Management Response / No Response (GAGAS 4.17d, 4.33, 4.35-4.36, 4.38-4.39, 5.18c, 5.32, 5.34-5.35, 5.37, 7.08(4), 7.32, 7.34, 7.35, 7.37 -7.38)

The lead auditor should evaluate and incorporate the auditee's comments, if any, in the report, whether received verbally or in writing. When the auditee provides verbal comments only, auditors

should prepare a summary of the verbal comments and provide a copy to the auditee to verify that the comments were accurately summarized. TVA management comments on the draft report are either paraphrased or quoted in final reports. For audits of contracts, comments by both the contractor and TVA management must be included.

- If TVA management or contractor comments include information not available to the auditor during fieldwork that negates the finding, the details of the finding should be replaced by a description of the acceptability of the additional information.
- If TVA management or contractor comments include evidence that appropriate action has already been implemented, the details of the finding should include a description of the nature and appropriateness of the action taken.
- If TVA management or contractor comments show disagreement with the findings, the auditor must explain why their rationale is not acceptable.

If changes to the report were made based on the auditee's comments, include a statement in the OIG's response that changes were made to the report based on these comments. Indicate OIG agreement or disagreement with actions planned or taken, when applicable. For contract audits, the auditor will respond to comments by both TVA management and the contractor.

The complete text of TVA management's response and the contractor's response to the draft report should be included as an appendix in the final report. TVA management's response is not included in the report to the contractor. If the response is voluminous, at the director's discretion, a synopsis or summary of management's comments will be included in the report.

Director Review

The director reviews the final report and provides comments, if any, to the lead auditor. The lead auditor resolves the Director's comments. Any significant changes made to the report, as deemed by the director, should be resubmitted for legal and/or QC review. Any additional review points should be resolved.

DAIGA or AIGA Review

The DAIGA or AIGA will review the final report and provide comments to the lead auditor and/or director for resolution. The lead auditor and/or director will resolve the DAIGA or AIGA's comments and resubmit the report to the DAIGA or AIGA.

Final Administrative Review

The report should be submitted to an OIG management assistant prior to submitting the report to the AIGA or DAIGA for signature.

Recommendation Tracking

Audit resolution is designed to help ensure that TVA management effectively communicates its management decision and implements its final action plan. This phase includes evaluating the adequacy of the management decision, informing management of OIG views concerning the management decision, attempting to resolve differences with management, and recording the completion of final actions related to the audit. See the TeamMate Protocol Manual for specifics on how to record and track recommendations.

Evaluation of Management Decision

Upon receipt of the management decision, the lead auditor, in consultation with the director, evaluates the adequacy of the decision to determine if the OIG is in agreement with the actions planned by management to resolve the audit findings and recommendations.

Incomplete Management Decision

If the department determines that the management decision is not complete, the lead auditor and/or OIG management will discuss with TVA management the reasons why the OIG views management decision as incomplete and request additional information. If an acceptable compromise is not reached on the management decision, the lead auditor will prepare a memorandum for the AIGA's signature, indicating the reasons why the OIG views management decision as incomplete and request additional information from management.

Disagreement with Management Decision

If the department disagrees with the management decision, the lead auditor and/or OIG management will discuss the areas of disagreement with appropriate TVA management in an attempt to reach a mutually acceptable compromise.

If an acceptable compromise on disagreements is not reached with any aspect of the management decision, the lead auditor will prepare a memorandum to the auditee for the AIGA's signature, indicating the areas of agreement and disagreement, including the bases for disagreement. The memorandum should also request that the OIG be notified as planned actions are completed.

The AIGA, in consultation with the IG, should determine if the disagreement is significant enough to warrant notifying the TVA Board and Congress. If so, the memorandum discussed above should also state, "We are advising you of our disagreement because the IG Act of 1978, as amended, requires that significant disagreements with management decisions concerning audit findings be reported to the TVA Board and Congress semiannually."

Final Action

Follow-up

The lead auditor should assess not less frequently than semiannually, the extent to which management has completed its planned actions on open recommendations, determine the status of actions not completed, and update TeamMate, accordingly.

Notification of Final Action Completed

When notice of final action is received on an open recommendation, the lead auditor is responsible for reviewing notice of final action and obtaining any information necessary to determine if the final action taken was properly completed. The lead auditor will coordinate with the director on any concerns and follow up with the auditee to obtain any necessary information or communicate any disagreement.

Reissuing Report (GAGAS 7.07)

If after the report is issued, the auditors discover that they did not have sufficient, appropriate evidence to support the reported findings or conclusions, or a threat to independence is identified, they should communicate in the same manner as that used to originally distribute the report to those charged with governance, the appropriate officials of the audited entity, the appropriate officials of the organizations requiring or arranging for the audits, and other known users, so that

they do not continue to rely on the findings or conclusions that were not appropriately supported. If the report was previously posted to the auditor's publicly accessible website, the auditors should remove the report and post a public notification that the report was removed. The auditors should then determine whether to conduct additional audit work necessary to reissue the report, including any revised findings or conclusions, or repost the original report if the additional audit work does not result in a change in the findings or conclusions.

CHAPTER 3 – NONAUDIT WORK

Professional services, which are not audits or attestation engagements, such as participation on TVA committees or in meetings, are considered nonaudit services. Acceptance of a nonaudit service for TVA is an event that could create threats to independence and should be evaluated using the conceptual framework referred to in GAGAS. See GAGAS 2.13 and 3.33 – 3.58 for requirements and guidance on evaluating threats to independence related to nonaudit services provided by auditors to entities in which they also provide audit and attestation services. Also, at the end of this Chapter are two decision flowcharts to: (1) identify whether a service is a nonaudit service and (2) evaluate threats to independence and determine when safeguards are necessary.

If significant threats to auditor independence are identified, and the application of safeguards would not eliminate or reduce the threat, the resulting impairment to independence could impair the independence of the OIG. Prior to initiating nonaudit work, the auditor should consult with his or her director, DAIGA, or AIGA.

It is the intent of the OIG that auditors only perform nonaudit services that do not impair independence and do not require the application of safeguards. This includes routine services described below which GAGAS distinguishes from nonaudit services that require evaluation by auditors to identify threats to independence and do not result in a written product or formal report or memorandum to TVA.

Exceptions to the policy above or nonaudit services in which the auditor will provide written input or formal results to TVA require the auditor to complete and retain in the working papers the form, "Request for Approval to Perform Nonaudit Work," (see Appendix G). Also, any written results on nonaudit services or other written OIG memorandums associated with nonaudit services performed for TVA should include the following statement, "The scope of the work performed does not constitute an audit or attestation engagement under *Government Auditing Standards*," and the written product should be subjected to an independent quality control review.

To avoid impairing independence or even the appearance of impairment, auditors will not participate as team members on TVA projects which involve teaming with TVA staff to develop a proposal unless such proposal is for a contract for the benefit of and will be funded by the OIG. Auditors will also not participate in teaming arrangements or provide input to TVA on such items as draft proposals or draft policies and procedures, except as just described. Such activities could result in significant self-review or management participation threats. However, auditors may provide general advice on what constitutes an adequate proposal and requirements for adequate cost or pricing data. Auditor participation in meetings held for these purposes do not impair independence.

DOCUMENTATION REQUIREMENTS

GAGAS requires documentation of the evaluation of threats and the application of safeguards whenever threats are considered significant to eliminate or reduce the threats to an acceptable level (GAGAS 3.08). In addition, auditors should prepare and maintain documentation in TeamMate of the nonaudit services performed to enable an experienced auditor with no previous connection to the assignment to understand the nature and scope of the work performed and independence considerations in forming conclusions on compliance with GAGAS independence requirements. Such documentation adds value, as the work may be useful in future OIG activities and allows

internal and external reviewers to assess the services provided for compliance with GAGAS independence standards and OIG policies and procedures. The form and content of the documentation will vary, depending on the circumstances, but it should include at a minimum the request for the service, if applicable, independence considerations in accepting and performing or declining the services, any safeguards implemented, and any written product provided to TVA by the OIG (GAGAS 3.59). In addition, auditors should document their communications with TVA management of their understanding of the services to be provided, including objective(s) of the nonaudit service, management's acceptance of responsibility for the subject matter and related decisions, the auditor's responsibilities, and any limitation of the nonaudit service.

ROUTINE ACTIVITIES

Routine activities performed by auditors that relate directly to the performance of an audit, such as providing advice and responding to questions as part of an audit, are not considered nonaudit services under GAGAS. Such routine activities generally involve providing advice or assistance to the entity on an informal basis as part of an audit. Routine activities typically are insignificant in terms of time incurred or resources expended and generally do not result in a specific project or engagement or in the auditors producing a written report or other formal work product (GAGAS 3.40). Routine activities directly related to an audit include the following (GAGAS 3.41):

- Providing advice to the audited entity on routine business matters.
- Educating the audited entity on matters within the technical expertise of the auditors.
- Providing information to the audited entity that is readily available to the auditors, such as best practices and benchmarking studies.

PROHIBITED SERVICES

If an auditor were to assume management responsibilities for an audited entity, the management participation threat created would be so significant that no safeguards could eliminate or reduce such threat to an acceptable level. Management responsibilities involve leading and directing an entity, including making decisions regarding the acquisition, deployment, and control of human, financial, physical, and intangible resources (GAGAS 3.35). Below are examples of services OIG auditors are prohibited from performing (GAGAS 3.36). This list is not all inclusive.

- Setting policies and the strategic direction for the audited entity.
- Directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities.
- Having custody of an audited entity's assets.
- Reporting to those charged with governance on behalf of management.
- Deciding which of the auditor's or outside third party's recommendations to implement.
- Accepting responsibility for designing, implementing, or maintaining internal control.
- Providing services that are intended to be used as management's primary basis for making decisions and that could be significant to the subject matter of an OIG audit.
- Developing an audited entity's performance measurement system when that system is material and could be significant to the subject matter of an OIG audit.

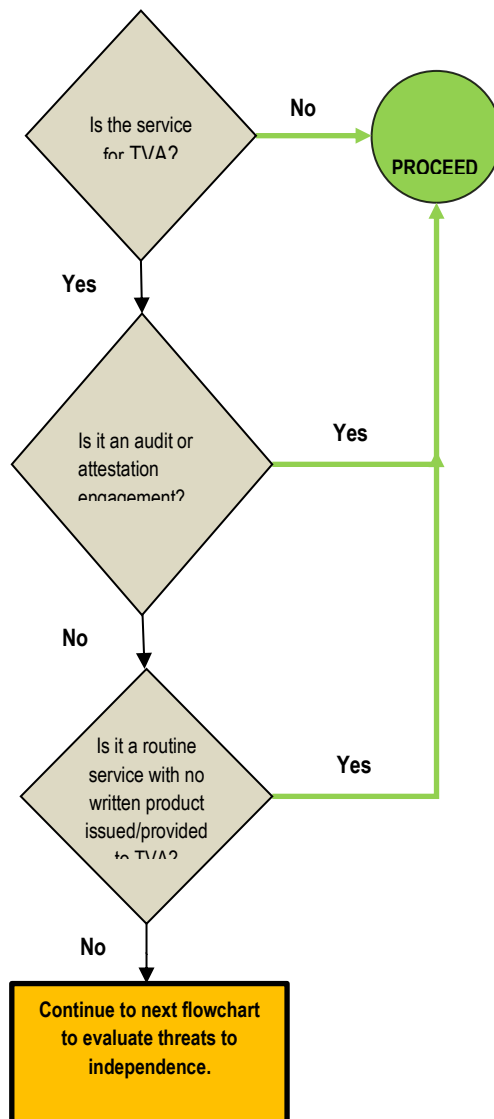
- Serving as a voting member of an audited entity's management committee or board of directors.
- Making or approving business risk decisions.
- Presenting business risk considerations to those charged with governance or others on behalf of management.
- Designing or developing a financial or other IT system that will play a significant role in the management of an area of operations that could be the subject matter of an OIG audit. (GAGAS 3.56.a)
- Providing services that entail making other than insignificant modifications to the source code underlying a financial or other IT system. (GAGAS 3.56.b)
- Operating or supervising the operation of an IT system. (GAGAS 3.56.c)

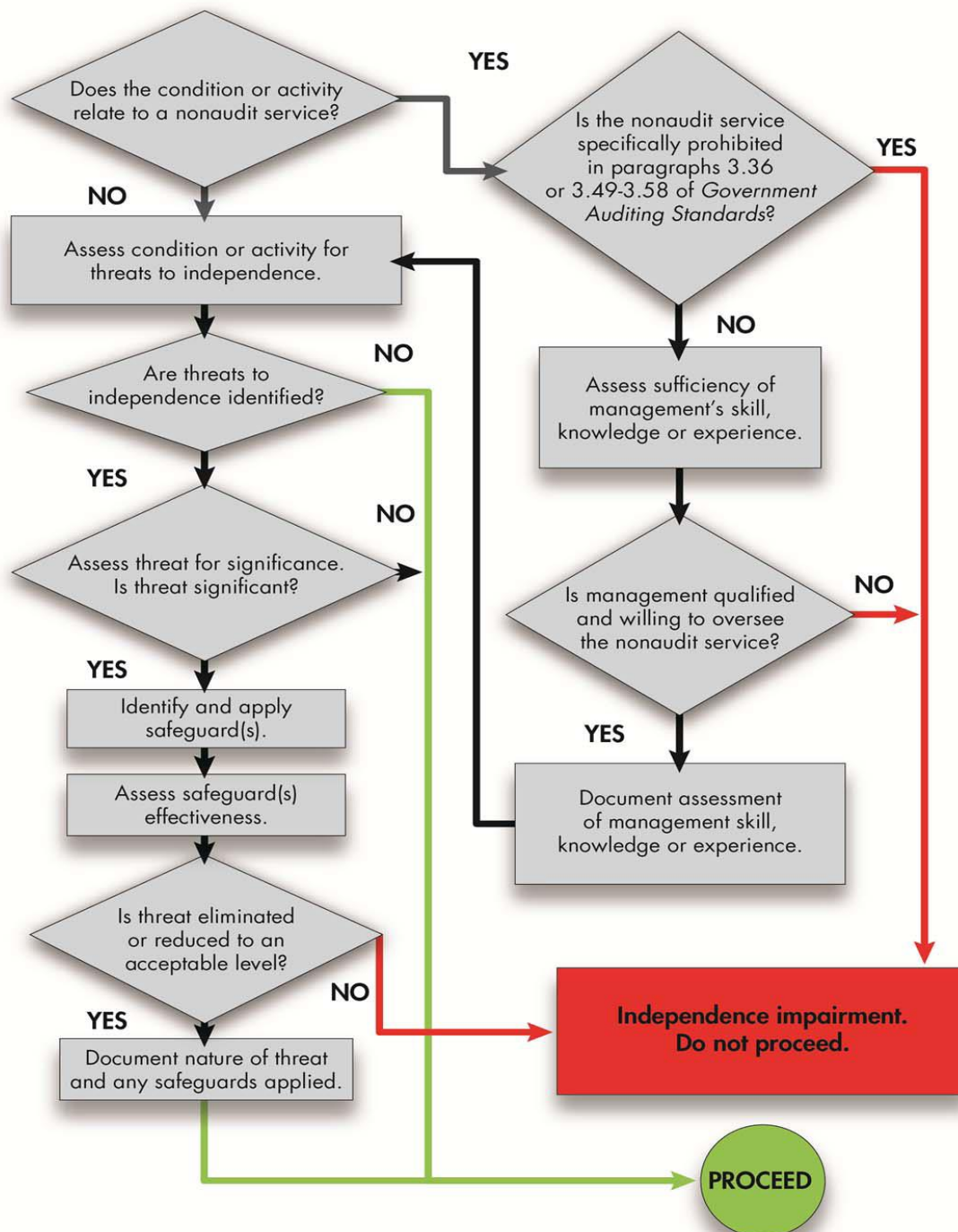
SAFEGUARDS

GAGAS requires that safeguards be applied whenever threats to independence are significant in order to eliminate or reduce such threats to an acceptable level. Below are examples of safeguards that may be used. This list is not authoritative, nor all-inclusive. Some safeguards have a higher level of mitigation of threats than others. Safeguards that involve staff who are independent of the audit process are generally more effective than those who are not independent. Safeguards that rely more on external factors are generally more effective than those that rely on factors internal to the audit organization, e.g., discussing threats with the engagement team is likely not adequate on its own and should be combined with other safeguards. Determining which safeguards to apply involves professional judgment and is dependent on the facts and circumstances of each specific situation. Not all safeguards listed would be appropriate for all significant threats identified and may require combinations of more than one safeguard.

- Consulting a professional organization or regulatory authority, such as GAO, AICPA, PCAOB, or SEC.
- Consulting an external auditor or other firm.
- Assigning separate, nonaudit staff to the nonaudit service.
- Obtaining secondary reviews of the nonaudit service by professional staff who are not involved in planning or supervising audit engagements nor members of the audit engagement team.
- Discussing the significance of the threats to management participation or self-review with the engagement team and emphasizing the risks associated with such threats.
- Educating management on the nonaudit service performed by reviewing and explaining the reason and basis for all significant inputs, as well as authoritative standards or widely-known and accepted criteria, so that management is in a position to determine or approve all assumptions and judgments and take responsibility for the nonaudit service.

Flowchart to Determine Nonaudit Service





FLOWCHART FOR EVALUATING THREATS TO INDEPENDENCE

CHAPTER 4 – OVERSIGHT OF IPA

TVA contracts with an independent registered public accountant (IPA) to (1) annually audit its financial statements, (2) review interim financial information, and (3) attest to the effectiveness of TVA's internal control over financial reporting. Pursuant to the IG Act of 1978, as amended, IGs are responsible for assuring work performed by non-federal auditors complies with *Government Auditing Standards*. To meet these responsibilities, TVA's OIG will use the following policy and procedures in monitoring the work of the IPA.

ASSURANCE OF IPA'S WORK QUALITY

The OIG will perform concurrent reviews of the IPA's annual audit of TVA's financial statements and attestation on internal control over financial reporting to ensure the work is performed in accordance with applicable standards. In addition, the OIG will perform concurrent reviews of the IPA's review of TVA's interim financial information. In planning this work, the OIG will consider guidance in the GAO Financial Audit Manual, Volume 2, Section 650, "Using the Work of Others" (FAM 650).

TVA's AIGA or designee will designate an OIG lead auditor for the reviews. The designated OIG lead auditor will plan the OIG's level of review (high, moderate or low) using FAM 650. The OIG review will not be designed to provide an opinion on TVA's financial statements, but it will be designed to ensure the work performed by the IPA was performed in accordance with *Government Auditing Standards* and other applicable standards.

The designated OIG lead auditor will design the review to include:

- Review of financial statement audit objectives and methodology.
- Participation in key meetings between TVA management and the IPA.
- Review of the independence and qualifications of the IPA and staff, including impact to independence of nonaudit services, if any, provided by the IPA. (Review of the IPA's independence and qualifications are also a part of the contracting process.)
- Review of the IPA staff's compliance with continuing education requirements in *Government Auditing Standards*.
- Review of the latest peer review and PCAOB inspection reports.
- Review of the IPA's reports and working papers for compliance with *Government Auditing Standards* and contractual requirements.
- Performance of supplemental tests, as deemed necessary.

The OIG will issue a report on the results of its review to TVA's Board or Audit Committee upon completion by the IPA of the financial statement audit and the OIG's review of the IPA's work. This report will include the OIG's objective which is to assure the IPA's audit and quarterly reviews were performed in accordance with *Government Auditing Standards* and other applicable standards and will provide negative assurance on that work. The report will be subjected to OIG quality control procedures. The IPA will submit its reports on the results of its financial statement audit directly to the TVA Board.

ASSURANCE OF IPA INDEPENDENCE

To assure the independence of the IPA, both in fact and appearance, TVA and the OIG have clearly defined the roles of all parties with responsibilities related to the services discussed above, including the following:

- TVA's Supply Chain organization will be responsible for the active commercial contract management. Supply Chain will designate a person to be the Contract Manager.
- The OIG will be responsible for technical contract management to ensure the IPA's work is in conformance with *Government Auditing Standards* and other standards as may be appropriate, and in compliance with the contract terms . The OIG will also maintain the budget for the services discussed above.
- TVA's Financial Services organization will facilitate the audit, but will have no contract management function. Financial Services, in coordination with the OIG and IPA, will set the milestones for the annual audit and interim reviews.

TVA's Board will approve the termination and selection of the external auditor considering the recommendation by the Audit Committee in consultation with the IG. The Audit Committee will preapprove the services and corresponding fees associated with the IPA's work in accordance with the Sarbanes Oxley Act of 2002 and the Audit Committee's preapproval policy.

CHAPTER 5 – QUALITY ASSURANCE PROCESS

The OIG's system of quality control over audits is intended to result in audits that are performed in accordance with GAGAS and OIG policies and procedures. To monitor quality, annual internal quality assurance reviews will be performed, and a peer review by another federal office of inspector general will be conducted every three years. OIG audit leadership is responsible for the system of quality control over audits and assures communication of policies and procedures relating to quality. Such policies and communications encourage a culture that recognizes quality is essential in performing GAGAS audits (GAGAS 3.86).

SYSTEM OF QUALITY CONTROL

This Handbook, taken as a whole, is a compilation of the policies and procedures that should result in quality audits and reports. Procedures particularly important to this process include:

1. Supervisory Review. All audit work and resulting reports will be subject to adequate and appropriate supervisory review. See the sections titled (1) Roles and Responsibilities, (2) Supervisory Review, and (3) Supervision for details of audit supervision responsibilities and documentation of supervisory review.
2. Use of Quality Control Checklists. The quality control checklist for performance audits, attestation engagement-examination, attestation engagement-review, or attestation engagement-agreed-upon procedures, will be used to assure compliance with key requirements of GAGAS.
3. Report Referencing. All draft and final reports will be referenced prior to issuance to assure the reports are supported by sufficient and appropriate audit evidence of which supervisory review was performed. Chapter 2 discusses report referencing.
4. TeamMate. The OIG's internal quality control system includes TeamMate, which provides a common platform for documenting, reviewing, storing, and sharing work during and after the audit. See the TeamMate Protocol Manual for details on documenting audit work in TeamMate.
5. CPE Monitoring. (GAGAS 3.76-3.78) Each director is also responsible for monitoring all training and CPE credits earned by each auditor in his/her group. To ensure auditors meet continuing education requirements in accordance with *Government Auditing Standards* (GAGAS), at least annually, each department director or designee will review the training records (transcripts) of respective staff to ensure compliance with GAGAS. Where staff is deficient using a 2-year rolling cycle, the director, in collaboration with the staff, will document a plan for staff to obtain the necessary training hours to bring the staff into compliance. The director will also document the date of each review and the results, including documentation of those courses that qualify as continuing education courses under GAGAS. The documentation will be retained for a period of time sufficient to enable those performing monitoring procedures, such as for quality assurance and peer reviews, to evaluate compliance with this requirement. See discussions related to CPE Tracker in Chapter 6.

The Quality Assurance Manager will periodically verify appropriate training is obtained and documented and staff and directors are complying with OIG policies and procedures to assure compliance with GAGAS CPE requirements.

Compliance with Continuing Education Requirements - Meeting CPE requirements is primarily the responsibility of individual auditors. Each auditor must complete the following continuing professional education training, or prorate, thereof, in accordance with GAO supplemental guidance, *Guidance on GAGAS Requirements for Continuing Professional Education*:

1. Every 2 years – at least 24 hours of CPE are required that directly relates to government auditing, the government environment or the specific / unique environment in which the audited entity operates.
2. If involved in planning, directing, or reporting on GAGAS audits (or charge 20% or more of time each year to GAGAS audits) an additional 56 hours of CPE are required that enhances the auditor's professional proficiency to perform audits (for a total of 80 hours CPE every 2 years).
3. A minimum of 20 hours CPE must be completed each year (GAGAS 3.76).

QUALITY ASSURANCE PROGRAM (GAGAS 3.93-3.95)

The OIG has implemented a quality assurance program that provides audit management with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. The program is executed primarily through annual quality assurance reviews.

At least annually, the results of quality assurance reviews performed during the year will be analyzed and summarized in a report to the AIGA. The report will include the identification of any systemic issues needing improvement, along with recommendations for corrective action. The reviews performed during the year will be designed to evaluate:

- Adherence to professional standards and legal and regulatory requirements.
- Whether the system of quality control has been properly designed and effectively operating and whether improvements are needed.
- Whether reports issued by the audit organizations were appropriate under the circumstances.

The program is not intended to duplicate the quality control review, nor find and correct errors in audit reports. However, it will help identify opportunities for improving the audit process to assure compliance with GAGAS and ensure consistency, as appropriate, among the audit departments.

Not less frequently than annually, each department director will assign at least one auditor with sufficient knowledge, skills, and competency to perform a quality assurance (QA) review at the direction of the Quality Assurance Manager (QAM) of not less than one audit selected by the DIG, AIGA, or QAM, including the corresponding audit documentation and report(s) that another audit department completed in the current or previous fiscal year. Alternatively, the QAM will perform a quality assurance review of one or more audits completed in the current or prior fiscal year to ensure that no less than one audit from each department is reviewed each fiscal year. Additional reviews will be performed each year as resources permit. Reviewers will be given full access to all working papers, reports, and audit staff to perform these quality assurance reviews.

The QA reviewer may use the peer review checklists developed by the CIGIE in the performance of the reviews. Reviews will address pertinent portions of the CIGIE checklists and expand on areas of vulnerability. At a minimum, all reviews will cover (1) approval and execution of audit programs; (2) supervisory review of working papers and audit work; and, (3) referencing of audit reports.

Further, each review will focus on an aspect of the audit process such as audit planning, preparation of audit reports, documentation of evidence in working papers, audit and personnel management, and other areas that could affect the audit organization's compliance with GAGAS. In addition, QA reviews will assure that recommendations from prior external peer and internal QA reviews have been addressed.

The results of each review will be discussed with the team lead, the independent quality control reviewer, and the respective director before being provided in writing to the DIG and AIGA. The report will provide for prompt and appropriate action where necessary and will include (a) a description of the procedures performed; (b) conclusions drawn; and (c) where relevant, a description of the systemic, repetitive, or other significant deficiencies identified, and a recommendation of action to resolve those deficiencies.

The AIGA will determine whether such action(s) are to be taken with respect to the audits reviewed, including any changes necessary to this Handbook. The AIGA will also communicate the results of the review(s) and recommended action to the department directors and staff. The QAM will track the status of action(s) to be taken to ensure they are completed timely. Subsequently, similar reviews will verify such actions were properly implemented.

Not less frequently than annually, the QAM, will assess the appropriateness of this Handbook by researching new developments in professional standards and regulatory and legal requirements applicable to the OIG and how these are reflected in the Handbook. The handbook will be revised, accordingly, as necessary, with approval by the AIGA.

PEER REVIEW

GAGAS requires audit organizations that perform audits or attestation engagements in accordance with GAGAS to have an appropriate quality control system and to undergo external peer reviews at least once every three years. (GAGAS 3.82b, 3.96) The Inspector General Act of 1978, as amended, requires these external peer reviews be performed exclusively by an audit entity of the federal government, including the Government Accountability Office or an OIG. Assignments for conducting peer reviews are made by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Audit Committee.

The objective of the external peer review is to determine whether, for the period under review, the reviewed OIG's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the OIG with reasonable assurance of conformity with applicable professional standards. The OIG will distribute the final peer review report to TVA's Chief Executive Officer and audit committee and the Chair of the CIGIE, and Chair of the CIGIE Audit Committee. The AIGA will also inform the audit committee of the results of the peer review in the quarterly meeting following receipt of the peer review report. The OIG will make the most recent peer review report publicly available, for example, by posting the peer review report on the OIG external web site. (GAGAS 3.105, 3.12) The QAM will provide the final peer review report to the OIG Webmaster for posting to the OIG external web site within two weeks of the office receiving the final report from the reviewing IG. In addition, the OIG will include in the semiannual report to Congress the results of the most recent peer review, including any outstanding recommendations included in a prior peer review report and the status of final action on those open recommendations.

CHAPTER 6 – ADMINISTRATIVE

CPE TRACKER

The OIG CPE Tracker is a web-based tool used for the tracking and monitoring of CPE hours. Each auditor is responsible for ensuring their training hours and respective certificates are entered into the system. The CPE Tool Instructions are accessible on the TVA OIG Wiki. See OIG Administrative Handbook section 3.9 Training and Development for additional information and policy related to training records.

ANNUAL INDEPENDENCE CERTIFICATION

Annually and not later than October 31st of each year, the AIGA, DAIGA, each audit director, and the Quality Assurance Manager will complete the OIG Audit Management Independence Certification form. (Appendix F) Each of these individuals is responsible for reporting any personal impairment, real or potentially perceived, to their respective supervisor. The supervisor will then determine if the role of the respective AIGA, DAIGA, director, or manager should be reassigned to another individual in the audit organization holding a comparable or higher leadership position at that time.

POSTING OF OIG AUDIT REPORTS

Each final audit report issued shall be classified in TeamMate with the appropriate disclosure level, as determined by the respective audit director based on the content of the report. For disclosure purposes, each project will be assigned one of four possible disclosure levels as defined below:

- Non-Disclosure – The report contains a substantial amount of sensitive information (such as in the case of information technology security and pre-award audits) or information that would be withheld under FOIA and should not be disclosed in summary form or otherwise.
- Summary Disclosure – The report contains a large amount of sensitive information or information that would be withheld under FOIA. Accordingly, the OIG should only post a summary of the report on the OIG web page.
- Redacted Disclosure – The report contains some sensitive information or information that would be withheld under FOIA. The OIG should post a redacted copy of the report on the OIG web page.
- Full Disclosure – The report contains no sensitive information or information that would be withheld under FOIA and should be posted on the OIG web page in its entirety.

The following table provides a guide in assigning a report's disclosure level based on a project's type and sensitivity:

AUDIT TYPE	Non-Disclosure	Summary Disclosure	Redacted Disclosure	Full Disclosure
Contract – Compliance		X		
Contract – Preaward	X	X		
IT – Security-Related	X	X		
IT – Non-security Related		X	X	X
Corporate Governance or Operational – containing sensitive information	X	X	X	
Corporate Governance or Operational – containing non-sensitive information		X	X	X

QC CHECKLIST – PERFORMANCE

Program - By signing as preparer at the PRG level above, the quality control reviewer certifies he/she has no personal impairments to independence that could affect his/her impartiality, or the appearance of impartiality, in performing the quality control review for this audit, the purpose of which is to provide assurance to OIG management relating to the quality of the audit and its compliance with *Government Auditing Standards*.

By signing as reviewer, the department director is certifying (1) the QC reviewer comments and project lead responses were appropriately resolved and (2) adequate supervision was provided throughout the project.

Procedure Title	Audit Step
Draft Report Cold Read	<p>Review the report to determine if it is timely, complete, objective, convincing, clear, balanced, and concise. (GAGAS A7.02)</p> <p>The choice of words and report layout should only be critiqued for suggested changes if, in the opinion of the reviewer, the meaning needs to be clarified for the knowledgeable report user. (AH 209.03)</p> <p>A response of "yes" to this step indicates the report meets, in the opinion of the reviewer, the attributes described above.</p>
Draft Report Content	<p>Verify the draft report includes:</p> <ol style="list-style-type: none"> 1. Clear and specific audit objective(s). 2. Criteria used to evaluate the subject matter. 3. Scope (including the scope of work performed related to internal controls). 4. Methodology used to accomplish the audit objective(s), including appropriate description of any sampling used, including the design, why it was chosen, and whether the sampling results can be projected, any limitations or restrictions imposed on the audit, and any omissions necessary in the report and why. 5. Significant assumptions used. 6. Any identified fraud, illegal acts, significant violations of contracts, or abuse. 7. Any identified internal control deficiencies. 8. Developed findings, including appropriate elements, related to the audit objective(s). 9. Recommendations that are action oriented and measurable. 10. Appropriate statement of compliance (or non-compliance) with GAGAS. 11. Conclusion on the objective(s). <p>(GAGAS 2.24.a-b, 2.25, 7.04, 7.08 - 7.19, 7.21 - 7.28, 7.30 - 7.31, & (sensitive information) 7.39-7.43)</p> <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>

Draft Report Fact Verification	<p>Using the referenced copy of the draft report:</p> <ol style="list-style-type: none"> 1. Trace each statement to the respective supporting documentation. 2. Statements in the executive summary should be traced to the respective statement in the body of the report. 3. Each proper noun, count, date, amount, and quote should be specifically traced to respective supporting documentation. 4. Each number and amount stemming from an auditor calculation should be recalculated and specifically verified. 5. Verify that sufficient, appropriate evidence was gathered overall to provide a reasonable basis for the findings and conclusions in the report. (GAGAS 6.56) 6. Verify the elements of a finding necessary to address the audit objectives were appropriately developed and included in the report. (GAGAS 6.73) <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Final Report Fact Verification	<ol style="list-style-type: none"> 1. Verify the final report includes management comments and an appropriate auditor response to those comments. 2. Verify significant changes made since QC review of the draft report are supported by sufficient, appropriate evidence. 3. Verify the transmittal memo includes those responsible for any corrective actions, the Chief Executive Officer, and members of the board of directors. <p>(GAGAS 7.32, 7.34-7.35, 7.37 - 7.38, & 7.44.a)</p> <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Independence	<p>Verify the independence form has been completed by all auditors and audit managers who prepared or reviewed working papers for the project as shown in the Signoff Status tab in TeamMate. The independent report referencer will certify his/her independence separately in the QC Checklist - Performance procedure. (GAGAS 3.02, 3.04-3.05, 3.14, & 3.24)</p> <p>A response of "yes" to this step indicates no threats to independence were identified.</p>
Scheduling Memo\Entrance Conference	<p>Verify:</p> <ol style="list-style-type: none"> 1. Scheduling memo was sent. (GAGAS 6.12e, 6.47 - 6.50, & 7.04) 2. The audit documentation includes a write-up of the entrance meeting which includes communication of the general audit objective(s), scope, and methodology and the timing of the audit and planned reporting format and timeline. (GAGAS 6.47) <p>A response of "yes" indicates these steps were done and any exceptions were appropriately resolved.</p>

Investigative Indices Search	<p>Verify an indices search was requested of Investigations and results were included in the audit documentation. (GAGAS 6.11e & 6.35)</p> <p>A response of "yes" indicates the step above was performed and no issues or conflicts were identified.</p>
Previous Audit Work	<p>Determine if auditors took steps to identify previous audits related to the subject matter and that work, if any, was appropriately leveraged to meet the current audit objectives, and corrective actions recommended in the previous audit, if any, were completed. Did the auditors:</p> <ol style="list-style-type: none"> 1. Notify OIG staff and inquire of other audits or useful knowledge about the area under audit. 2. Request the auditee to identify previous or ongoing projects related to the area under audit. 3. Perform an indices search of the audit tracking system(s). (GAGAS 6.11.f & 6.36) <p>A response of "yes" indicates evidence was included in the audit documentation that appropriate inquiries about other related audits were made.</p>
Audit Plan	<p>Verify the audit plan includes the following elements:</p> <ol style="list-style-type: none"> 1. Clear and specific audit objective(s). 2. Scope (particular aspect of program, locations, time period(s), etc.). 3. Methodology (steps to accomplish each objective). 4. Reasonable, attainable, and relevant criteria to evaluate the audit subject matter. 5. Nature and profile of program and needs of user(s). 6. Sampling plan. 7. Use of the work of other auditors, if planned, and steps for relying on their work. 8. Use of specialists (internal/external), if planned, and steps for relying on their work. 9. Audit risk assessment, including consideration of the following and procedures to address/mitigate risk, accordingly: <ol style="list-style-type: none"> a. Internal controls significant to the audit objectives. b. Information system controls significant to the audit objectives. c. Provisions of laws, regulations or contracts significant to the audit objectives. d. Risk of fraud. 10. Supervision: nature, timing, and extent of supervision of assigned staff and documentation of review of work performed. <p>(GAGAS 3.79 - 3.80, 3.107, 6.06 - 6.43, 6.45 - 6.46, 6.51, 6.53, 6.64, 6.79, & 6.83.c)</p> <p>A response of "yes" indicates the audit plan included the elements, as appropriate, listed above.</p>

Audit Documentation	<p>Verify:</p> <ol style="list-style-type: none">1. Auditors obtained sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions, and working papers include an overall assessment of the evidence used to support the findings and conclusions on the audit objective(s).2. Auditors developed the elements of a finding necessary to address the audit objectives, including where appropriate, recommendations for corrective action.3. Work performed was documented in a manner that would allow an experienced auditor having no previous connection to the audit to understand the work performed and come to the same conclusions.4. Steps/procedures in the audit plan were completed or changes to the plan were appropriately explained and approved.5. Evidence of supervision is consistent with the plan for staff supervision.6. Investigations was notified if potentially improper or illegal acts were identified.7. Audit documentation includes a write-up of the exit meeting and communication of preliminary audit results. <p>(GAGAS 6.31, 6.56 - 6.58, 6.60 - 6.62, 6.65 - 6.66, 6.67 - 6.79, & 6.80 - 6.84)</p> <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Professional Judgment	<p>A response of "yes" to this step indicates that in the opinion of the reviewer, taken as a whole, the audit documentation shows that professional judgment was used in the planning, performing and reporting of the audit. (GAGAS 3.60 - 3.61)</p>

QC CHECKLIST – ATTESTATION ENGAGEMENT (EXAMINATION)

Program - By signing as preparer at the PRG level above, the quality control reviewer certifies he/she has no personal impairments to independence that could affect his/her impartiality, or the appearance of impartiality, in performing the quality control review for this attestation engagement, the purpose of which is to provide assurance to OIG management relating to the quality of the audit and its compliance with *Government Auditing Standards*.

By signing as reviewer, the department director is certifying (1) the QC reviewer comments and project lead responses were appropriately resolved and (2) adequate supervision was provided throughout the project.

Procedure Title	Audit Step
Draft Report Cold Read	<p>Review the report and ensure the message in the report is presented in the form of an opinion on the subject matter and the report clearly states an examination was performed in accordance with generally accepted government auditing standards for attestation engagements.</p> <p>A response of "yes" to this step indicates the report meets, in the opinion of the QC reviewer, the attributes above and as described in GAGAS (GAS 5.18).</p>
Draft Report Fact Verification	<p>Using the referenced draft report, trace each statement to the respective supporting documentation. Each quote, number, amount, date, proper noun and legal citation included in the report should be specifically verified or traced to original source documentation.</p> <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Independence	<p>Verify the independence form was completed by all team members, including any specialists used (GAS 3.02-.17) (AT 101.35-.38)</p> <p>A response of "yes" indicates no threats to independence were identified, including pressure from the auditee or management.</p>
Scheduling Memo / Entrance Conference	<p>Verify a scheduling memo was sent to the responsible TVA official. Verify the working papers include a write-up of the entrance meeting which includes communications to management regarding the services, including the type of engagement to be performed, the objective(s), management's responsibilities, and any limitation of the engagement (GAS 5.04-.05, 5.54-.55) (AT 101.46)</p> <p>A response of "yes" indicates this step was completed.</p>
Attestation Plan	<p>Verify the attestation plan included the following and was properly updated and approved:</p> <ol style="list-style-type: none"> 1. Type of attestation engagement to be performed, i.e., examination (GAS 2.09 & 5.02)

	<ol style="list-style-type: none"> 2. An assessment of controls and necessary procedures to reduce detection risk to an appropriately low level (AT 101.54). 3. Consideration of attestation risk and materiality and steps designed to detect fraud, noncompliance, and abuse material to the subject matter (GAS 5.07-.10 & 5.46) (AT 101.45.b & 101.67) 4. Scope 5. Methodology 6. Suitable criteria, i.e., criteria that is objective, measurable, complete, and relevant (GAS 2.09.a, 3.74, 5.01 & 5.12) (AT 101.24-.34 & 101.45.a) 7. Needs of users (GAS 2.04 & 2.09) 8. Sampling plan, if applicable 9. Use of the work of other auditors, if any 10. Use of internal or external specialists, if any 11. Assignment of staff and specialists to assure collective team competence and qualifications (GAS 3.69 & 3.79-.80) 12. Procedures/steps to be taken to accumulate sufficient and appropriate evidence to provide a reasonable basis for the conclusion expressed in the report (AT 101.51-.58) <p>A response of "yes" indicates the attestation plan included the applicable elements listed above.</p>
Attestation Documentation	<p>Verify:</p> <ol style="list-style-type: none"> 1. Auditors developed and performed sufficient procedures and exercised reasonable care and professional skepticism to limit attestation risk (AT 101.54). 2. Auditors relied on persuasive evidence to obtain reasonable assurance that material misstatements or significant inaccuracies in data would be detected (GAS 3.60 - 3.68). 3. Work performed was documented in a manner that would allow an experienced auditor having no previous connection to the engagement to understand the work performed and come to similar conclusions (GAS 5.16.a) (AT 101.103). 4. If auditors became aware of situations or transactions that were indicative of fraud, illegal acts, or violations of contract provisions, then procedures were applied to verify such occurrence and its effect of the subject matter. 5. Assertions and representations by the audited entity were documented. (AT 101.09-.10 & 101.59-.62) 6. Testing performed on electronic audit evidence was documented. <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Draft Attestation Report	<p>Verify the draft report:</p> <ol style="list-style-type: none"> 1. Identifies the subject matter or assertion being reported upon and states the type of engagement, i.e., attestation - examination (GAS 5.18-.19) (AT 101.63-.65) 2. States the conclusion about the subject matter or assertion in relation to the criteria against which the subject matter or assertion was evaluated

	<p>(AT 101.66-.70)</p> <p>3. States any reservations or limitations about the engagement or subject matter (AT 101.71-.77)</p> <p>4. States the report is intended solely for the information and use of specified parties when (a) criteria used is appropriate only for limited parties who participated in its establishment or can be presumed to have adequate understanding of it, or the criteria is available only to specified parties, or (b) when reporting on subject matter and a written assertion has not been provided by the responsible party (AT 101.78)</p> <p>5. If the report is restricted, it states it is intended solely for the information and use of specified parties, identifies the specified parties to whom it is restricted, and states that it is not intended to be and should not be used by anyone other than the specified parties (AT 101.80)</p> <p>6. Contains the following (AT 101.85.a - .86.j)</p> <ul style="list-style-type: none"> - A title that includes the word "independent," - Identity of the subject matter or assertion and the responsible party - Statement that the subject matter or assertion is the responsibility of the responsible party, - Statement that the auditor's responsibility is to express an opinion on the subject matter or assertion based on his/her examination - Statement that the examination was conducted in accordance with generally accepted government auditing standards (GAS 5.19), - Statement that the auditor believes the examination provides a reasonable basis for his/her opinion - The auditor's opinion on whether the subject matter or assertion is presented (or fairly stated) in all material respects; however, if one or more deviations from the criteria are found, the opinion should be on the subject matter, rather than the assertion (AT 101.66) - Statement restricting the use of the report to specified parties under the following circumstances: <ul style="list-style-type: none"> - When the criteria used is appropriate only for a limited number of parties - When the criteria used is available only to the specified parties - When a written assertion has not been provided by the responsible party (also, the opening paragraph in the report should include a statement to this effect) <p>7. Discloses deficiencies in internal control and instances of fraud, illegal acts, violations of provisions of contracts, and abuse identified and considered material to the subject matter (GAS 5.18 & 5.20-.26)</p> <p>8. Includes findings in the perspective of work performed and sample results presented in relation to the population tested, including whether results can be projected (GAS 5.27-.28)</p> <p>9. Discloses if certain information has been omitted in the report and the reason or circumstances making the omission necessary, e.g., omission of confidential and sensitive information (GAS 5.39)</p>
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APPENDIX B

	<p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Final Examination Report	<p>Verify the final report, <u>in addition to meeting the requirements above in the QC checklist</u>, includes the views of the responsible official(s), and significant changes made to the report subsequent to independent referencing and QC review are supported by sufficient, appropriate evidence.</p> <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Professional Judgment	<p>A response of "yes" to this step indicates that in the opinion of the reviewer the documentation taken as a whole shows professional judgment and due care were exercised in planning, performing, and reporting results of the examination (GAS 3.60-.61).</p>

QC CHECKLIST – ATTESTATION ENGAGEMENT (REVIEW)

Program - By signing as preparer at the PRG level above, the quality control reviewer certifies he/she has no personal impairments to independence that could affect his/her impartiality, or the appearance of impartiality, in performing the quality control review for this attestation engagement, the purpose of which is to provide assurance to OIG management relating to the quality of the work performed and compliance with *Government Auditing Standards*.

By signing as reviewer, the department director is certifying (1) the QC reviewer comments and project lead responses were appropriately resolved and (2) adequate supervision was provided throughout the project.

Procedure Title	Audit Step
Draft Report Cold Read	<p>Review the report and ensure the message in the report is presented in the form of negative assurance, the report clearly states it was an attestation engagement performed under GAGAS for reviews, and the report includes a statement that the work was less in scope than an audit or examination engagement performed in accordance with GAGAS.</p> <p>A response of "yes" to this step indicates the report meets, in the opinion of the reviewer, the attributes above as described in GAGAS 5.50-.51.</p>
Draft Report Fact Verification	<p>Using the referenced copy of the draft report, trace each statement to the respective supporting documentation. If the report is related to IPA monitoring, verify the work performed, including the description of the work planned, was an attestation review engagement conducted in accordance with <i>Government Auditing Standards</i>.</p> <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Independence	<p>Verify the independence form was completed by all team members, including any specialists used. (GAGAS 3.02-.03, 3.08, & 3.14) (AT 101.35-.38)</p> <p>A response of "yes" to this step indicates no threats to independence were identified, including pressure from the auditee or management (GAGAS 3.10-3.11).</p>
Scheduling Memo\Entrance Conference	<p>Verify a scheduling memo was sent.</p> <p>Verify the working papers include a write-up of the entrance meeting and include communications to management regarding the services to be performed, including the type of engagement to be performed, the objectives, management's responsibilities, and limitation of the engagement? (GAGAS 5.04-.05, 5.54-.55) (AT 101.46)</p>

	A response of "yes" indicates this step was done.
Attestation Plan	<p>Verify the audit plan included the following elements and was properly updated and approved:</p> <ol style="list-style-type: none"> 1. Type of attestation engagement to be performed, i.e., review. (GAGAS 2.09 & 5.02) 2. Consideration of attestation risk and materiality. (GAGAS 5.46) (AT 101.45b) 3. Scope. 4. Methodology. 5. Criteria that was suitable, i.e., objective, measurable, complete, and relevant. (GAGAS 2.09, 3.74, 5.01, & 5.12) (AT 101.24-.34 & 101.45a) 6. Needs of user. (GAGAS 5.44 & .57) 7. Sampling plan, if applicable. 8. Use of the work of other auditors, if any. 9. Use of specialists (internal/external), if any. 10. Assignment of staff and specialists (collective team competence and qualifications). 11. Procedures to accumulate sufficient and appropriate evidence to provide a reasonable basis for the conclusion to be expressed. (AT 101.51) <p>A response of "yes" indicates the audit plan included the applicable elements listed above.</p>
Attestation Documentation	<p>Verify:</p> <ol style="list-style-type: none"> 1. Auditors developed and performed sufficient procedures (generally limited to inquiries and analytical review) and exercised reasonable care and professional skepticism to limit attestation risk to a moderate level. (AT 101.55) 2. Auditors relied on persuasive evidence to obtain reasonable assurance that material misstatements or significant inaccuracies in data would be detected. (GAGAS 3.60-3.68) 3. Work performed was documented in a manner that would allow an experienced auditor having no previous connection to the engagement to understand the work performed and come to similar conclusions. (AT 101.103) 4. If auditors became aware of situations or transactions that were indicative of fraud, illegal acts, or violations of contract provisions, procedures were applied to verify such occurrence and its effect on the subject matter. 5. Representations by the audited entity were documented. (AT 101.09-.10 and 101.59-.62) 6. Testing performed on electronic audit evidence was documented. <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>

Draft Attestation Report	<p>Verify the draft report:</p> <ol style="list-style-type: none"> 1. Identifies the subject matter and states the type of engagement, i.e., Attestation - Review. (GAGAS 5.18-.19) (AT101.63-.65) 2. States the conclusion about the subject matter in relation to the criteria against which the subject matter was evaluated in terms of negative assurance. (GAGAS 5.56) (AT101.66-.70) 3. States any reservations or limitations about the engagement or subject matter. (GAGAS 5.16c) (AT 101.71-77) 4. States the report is intended solely for the information and use of specified parties when (a) the criteria used is appropriate only for limited parties who participated in their establishment or can be presumed to have adequate understanding of it, or the criteria is available only to specified parties, or (b) when reporting on subject matter and a written assertion has not been provided by the responsible party. (AT101.78) 5. If the report is restricted, it states it is intended solely for the information and use of specified parties, identify the specified parties to whom use is restricted, and state that it is not intended to be and should not be used by anyone other than the specified parties. (AT101.80) 6. Contains the following: (AT 101.89a-i) <ol style="list-style-type: none"> a. A title that includes the word "independent." b. Identity of the subject matter and the responsible party. c. Statement that the subject matter is the responsibility of the responsible party. d. Statement that the review was conducted in accordance with GAGAS. (GAGAS 5.51) e. Statement that a review is substantially less in scope than an examination or audit, the objective of which is an expression of opinion on the subject matter, and accordingly, no opinion is expressed GAGAS 5.57). (AT 101.89), f. Statement on whether any information came to the auditor's attention on the basis of the work performed that indicates the subject matter was not presented in all material respects in conformity with the criteria against which it was measured (i.e., statement of negative assurance). g. Statement that the use of the report is restricted to specified parties, if appropriate. 7. Discloses any deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts, and abuse identified. (GAGAS 5.48-5.49) 8. Includes findings in the perspective of work performed and sample results presented in relation to the population tested, including whether results can be
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	<p>projected. (GAGAS 5.28)</p> <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Final Attestation Report	<p>Verify the final report, <u>in addition to meeting the QC requirements verified for Draft Audit Report</u>:</p> <ol style="list-style-type: none"> 1. Includes management comments and an appropriate auditor response to those comments. 2. Significant changes made to the report subsequent to quality control review and independent referencing are supported by sufficient, appropriate evidence. <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Professional Judgment	<p>A response of "yes" to this step indicates that in the opinion of the reviewer, the documentation taken as a whole, shows that professional judgment and due care were exercised in the planning, performing and reporting results of the review. (GAGAS 3.60 - 3.68) (AT 101.39-.41)</p>

QC CHECKLIST – ATTESTATION ENGAGEMENT (AGREED-UPON PROCEDURES)

Program - By signing as preparer at the PRG level above, the quality control reviewer certifies he/she has no personal impairments to independence that could affect his/her impartiality, or the appearance of impartiality, in performing the quality control review for this attestation engagement, the purpose of which is to provide assurance to OIG management relating to the quality of the work performed and compliance with *Government Auditing Standards*.

By signing as reviewer, the department director is certifying (1) the QC reviewer comments and project lead responses were appropriately resolved and (2) adequate supervision was provided throughout the project.

Procedure Title	Audit Step
Draft Report Cold Read	<p>Review the report and ensure the report clearly states it was an attestation engagement performed under GAGAS for agreed-upon procedures, and a statement that the work was less in scope than an audit or examination engagement performed in accordance with GAGAS. Ensure the report is in the form of procedures agreed upon and the corresponding, appropriate description of findings. (AT 201.24-.26)</p> <p>A response of "yes" to this step indicates the report meets, in the opinion of the reviewer, the attributes above as described in GAGAS 5.61.</p>
Draft Report Fact Verification	<p>Using the referenced copy of the draft report, trace each statement to the respective supporting documentation.</p> <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Independence	<p>Verify the independence form was completed by all team members, including any specialists used. (GAGAS 3.02-.03, 3.08, & 3.14) (AT 101.35-.38 and 201.06a)</p> <p>A response of "yes" to this step indicates no threats to independence were identified, including pressure from the auditee or management, (GAGAS 3.10-3.11)</p>
Scheduling Memo\Entrance Conference	<p>Verify a scheduling memo was sent.</p> <p>Verify the working papers included a write-up of the entrance conference and included communications to management/requester describing the services, including the type of engagement to be performed, the objectives, management's/requester's responsibilities, and any limitation on the engagement? (GAGAS 5.04-.05, 5.54-.55) (AT 101.46 and 201.10)</p>

	A response of "yes" indicates this step was done.
Attestation Plan	<p>Verify the audit plan included the following elements and was properly updated and approved:</p> <ol style="list-style-type: none"> 1. Type of attestation engagement to be performed, i.e., agreed-upon procedures (GAGAS 2.09 & 5.02). (Note: If the work was not initiated, planned and conducted as an attestation (AUP) engagement under generally accepted audit standards, this checklist is not applicable and should not be used in the quality control process.) 2. Consideration of attestation risk, including sampling risk, and materiality. (GAGAS 5.46) (AT 201.11-.12, 201.33, and 201.25) 3. Criteria to be used. (AT 101.45) <p>A response of "yes" indicates the audit plan included the elements, as appropriate, listed above.</p>
Attestation Documentation	<p>Verify:</p> <ol style="list-style-type: none"> 1. Auditors performed adequate planning, exercised due professional care in performing the procedures and determining the findings, and adequate supervision was evidenced in the workpaper documentation. 2. Work performed was documented in a manner that would allow an experienced auditor having no previous connection to the engagement to understand the work performed and arrive at similar results and enable supervision of the work. (AT 101.103) 3. Representations by the audited entity were documented. (AT 201.09, 201.37-39) 4. Changes to procedures during the engagement were agreed to by those who engaged the auditor and agreed to and took responsibility for the initial procedures. (AT 201.45) <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Draft Attestation Report	<p>Verify the draft report includes (GAGAS 5.60) (AT 201.31):</p> <ol style="list-style-type: none"> 1. A title that includes the word independent. 2. Identification of specified parties who agreed to the procedures. 3. Identification of the subject matter. 4. Identification of the responsible party and statement that the subject matter is the responsibility of this party. 5. A statement that the procedures performed were those agreed to by the specified parties identified in the report. 6. A statement that the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the GAO (reference to the AICPA standards can be included, but are not required). 7. A statement that the sufficiency of the procedures is solely

	<p>the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures.</p> <ol style="list-style-type: none"> 8. A list of procedures performed and related findings. 9. If applicable, any materiality limits. 10. A statement that the auditor was not engaged to and did not conduct an examination or audit of the subject matter, the objective of which would be the expression of an opinion, a disclaimer of opinion on the subject matter, and a statement that if the auditor had performed additional procedures, other matters might have come to his or her attention that would have been reported. 11. A statement of restrictions on the use of the report because it is intended to be used solely by the specified parties. 12. If applicable, reservations or restrictions concerning procedures or findings. 13. If applicable, a description of the nature of assistance provided by a specialist. 14. The date of the report (date procedures were completed). <p>A response of "yes" indicates the steps listed above were completed and any issues identified were appropriately resolved.</p>
Final Attestation Report	<p>Verify the final report meets the QC requirements verified for Draft Audit Report and any significant changes made to the report subsequent to quality control review and independent referencing are supported by sufficient, appropriate evidence.</p> <p>A response of "yes" indicates the steps above were completed and any issues identified were appropriately resolved.</p>
Professional Judgment	<p>A response of "yes" to this step indicates that in the opinion of the reviewer, the documentation taken as a whole, shows that professional judgment and due care were exercised in the planning, performing and reporting results of the engagement. (GAGAS 3.60 - 3.68) (AT 101.39-.41)</p>

OVERALL ASSESSMENT OF EVIDENCE

Purpose: To document the auditor's overall assessment of audit evidence taken as a whole to address the audit objective(s) and support the findings and conclusions.

Audit Objective[s]:

Conclusions on the Audit Objectives:

Our audit found:

TYPES OF EVIDENCE USED TO SUPPORT THE FINDINGS

- For example, interviews, physical inspection, documentation such as policies, procedures, etc., description of data provided, analytical procedures such as comparison of data, observation such as of an activity, an asset, or a condition, recalculation or reperformance, and confirmations.

SOURCES OF EVIDENCE USED TO SUPPORT THE FINDINGS

- For example, auditor direct observation, inspection, computation or analysis, web sites, questionnaires used to collect information.

STEPS TAKEN TO CORROBORATE EVIDENCE USED (INCLUDING DATA RELIABILITY STEPS)

- For example (1) How was information obtained during interviews validated; (2) What steps were performed around computer data to ensure accuracy, completeness and reliability?; (3) What steps were performed to verify the accuracy, completeness and reliability of documentation provided by the auditee or another, including web sites.

TEAM'S ASSERTION ABOUT WHY THE EVIDENCE IS SUFFICIENT AND APPROPRIATE

Based on the assessments of the evidence related to the findings on each of the audit objectives above, we have determined that, taken as a whole, evidence obtained during performance of the audit was adequate and sufficient to support the audit objectives, findings and conclusions.

PROJECT NUMBER: _____

PROJECT TITLE: _____

AUDITOR INDEPENDENCE CERTIFICATION

As demonstrated by my signature below, I certify I have no personal impairments to independence that could affect my impartiality or the appearance of impartiality in performing this audit or attestation engagement. Specifically, I assert:

- I do not have an immediate family or close family member who is a director or officer of the audited entity, or who as an employee of the audited entity is in a position to exert direct and significant influence over the entity or program under audit;
- I do not have a financial interest that is direct, or is significant/material though indirect, in the audited entity or program;
- I have not had responsibility for managing the entity nor have I been involved in decision making that could affect operations of the entity or program being audited;
- I am not and have not been a director, officer, or other senior position of the entity, activity, or program being audited, nor have I been a member of management in any decision making, supervisory, or ongoing monitoring function for the entity, activity, or program under review;
- I am not and have not been involved in maintaining the official accounting records; authorizing, executing, or consummating transactions; maintaining an entity's bank account or otherwise having custody of the audited entity's funds; or otherwise exercising authority on behalf of the entity, or having authority to do so;
- I do not have any preconceived ideas or biases, including those induced by political, ideological, or social convictions, toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
- I am not seeking employment with the auditee.

Furthermore, I certify I have not participated in a nonaudit service related to this audit that would violate GAS except as noted below (attach additional information if necessary). See GAS 3.02-3.59

_____ No exceptions	_____ Exceptions:
_____ Printed name	_____ Project role
_____ Signature	_____ Date

Additional team members—sign assertion on attached continuation sheet.

INDEPENDENCE CERTIFICATION (continuation sheet)

____ No exceptions	____ Exceptions:
Printed name	Project role
Signature	Date

____ No exceptions	____ Exceptions:
Printed name	Project role
Signature	Date

____ No exceptions	____ Exceptions:
Printed name	Project role
Signature	Date

____ No exceptions	____ Exceptions:
Printed name	Project role
Signature	Date

OIG AUDIT MANAGEMENT INDEPENDENCE CERTIFICATION

As demonstrated by my signature below, I certify I have no personal impairments to independence that could affect my impartiality or the appearance of impartiality in performing the duties of my position in the OIG. Specifically, I assert:

- I do not have an immediate family or close family member who is a director or officer of TVA or who as an employee of TVA is in a position to exert direct and significant influence over an entity or program that could come under audit by the OIG.
- I do not have a financial interest that is direct, or is significant or material, though indirect, in TVA or its programs or those of its affiliates.
- I have not had responsibility for managing any aspect of TVA, other than within my official duties for the OIG, nor have I been involved in decision making over operations of TVA that may come under audit by the OIG.
- I am not in and have not been a director or an officer of TVA, nor held a senior position in TVA, nor have I been a member of management in any decision making, supervisory, or ongoing monitoring function for TVA, other than those related to the OIG in my official capacity during the past year.
- I am not and have not been involved in maintaining the official accounting records; authorizing, executing, or consummating transactions; maintaining a TVA bank account or otherwise having custody of TVA funds; or otherwise exercising authority on behalf of the TVA, or having authority to do so, other than in my official duties for the OIG.
- I do not have any preconceived ideas or biases, including those induced by political, ideological, or social convictions, toward individuals, groups, organizations, or objectives of a particular program within TVA that could bias an OIG audit.
- I am not seeking employment with another TVA organization.

Furthermore, I certify that for any non-audit services I have provided to TVA in the past year, the requirements in GAS 3.34-3.59 have been met.

I agree to notify my supervisor immediately if the circumstances described above change or if for any reason I become unable to carry out my official duties in an objective, independent, or impartial manner.

Position Title: _____

Name (printed)

Signature

Date

REQUEST FOR APPROVAL TO PERFORM NONAUDIT WORK

Project title: _____

Lead auditor: _____

Team members: _____

Planned objective: _____

The _____ audit department requests approval to perform the aforementioned project as a nonaudit service in which the auditors will periodically and/or at the completion of the project provide TVA with a written product. This project was evaluated using the GAGAS conceptual framework and (1) it will neither impair the OIG's independence nor require the application of safeguards, or (2) the following safeguards will be applied to reduce threats to OIG independence.

Safeguards to be applied:

Submitted by: _____

Director

Date

Approved by: _____

(Deputy) Assistant Inspector General for Audits

Date