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# CASA External Peer Review Program Guidelines

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## CASA External Peer Review Program Overview

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The California Association of State Auditors (CASA) coordinates external peer reviews/assessments through an exchange of resources with other state entities. The exchange of resources is accomplished through a Memorandum of Understanding and allows departments to meet their peer review requirements without additional funding. This overview is designed to explain the process involved for state agencies in obtaining an external peer review.

### **Objective**

The objective of a peer review is to determine whether an audit organization's quality control system is suitably designed and is in place and operating effectively. A peer review also provides assurance that an audit organization is following its established policies and procedures and applicable auditing standards.

### **History**

Since 1989, external peer reviews have been required of all audit organizations conducting audits in accordance with Generally Accepted Government Audit Standards (GAGAS). Similar requirements were also implemented by the American Institute of Certified Public Accountants and the Institute of Internal Auditors (IIA).

The CASA External Peer Review Program was developed to assist California state agencies in complying with California Government Code section 13886.5, and professional audit standards. All state agencies that have internal audit functions are required to conduct audits according to the International Standards for the Professional Practice of Internal Auditing Framework (ISPPA) or Generally Accepted Government Audit Standards (GAGAS). The ISPPA standards require entities obtain an external peer review, at least every three years, and entities that perform audits in accordance with GAGAS obtain an external peer review at least every three years.

### **Peer Review Framework**

CASA under a memorandum of understanding with the Association of Local Government Auditors (ALGA) follows the ALGA guidelines for performing and reporting on external peer reviews. However, CASA Peer Reviews are not sanctioned by ALGA. To provide the framework needed to ensure its external peer review process is accomplished fairly and consistently for state audit organizations, CASA developed its own guidelines which govern the CASA Peer Review Program.

As of 2016, CASA has performed over 17 peer reviews and currently averages three reviews each year. The program continues to be one of CASA's most popular services for members. To learn more about the CASA External Peer Review Program and How to Request a Peer Review, [click here](#).

## CASA External Peer Review Program

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### Introduction

The External Peer Review Program coordinated by CASA is dependent on the availability of reviewers from State of California audit organizations. CASA coordinates, monitors, and ensures consistency among the many peer reviews conducted. However, CASA does not provide funding for external peer reviews and relies on audit organization resources for its program. This includes Lead and Assistant peer reviewers from audit organizations. CASA developed the following tracking system to monitor the number of reviewers available for a given review and allows audit organizations to know how many reviewers they have committed to the program.

### Eligibility/Point System

Eligibility for participation in the CASA External Peer Review Program is limited to state audit organizations that meet the commitment requirements listed below:

1. Perform audit engagements of government organizations in accordance with government auditing standards or assurance and consulting engagements in accordance with the IIA International Professional Practices Framework.
2. Provide staff with appropriate experience to serve on other external peer reviews.

To receive an external peer review, a state audit organization is required to furnish staff, equal to the staff resources involved in its external peer review, to participate in external peer reviews of other state audit organizations. Through this exchange of resources, cost for the reviewed agency is typically limited to travel expenses (e.g., mileage and parking); however, other travel expenses may be incurred. To ensure a fair exchange of staff resources, CASA established a point system, which computes the credits earned by agencies for their staff participation and those still needed to satisfy its commitments. Base point values as well typical staffing patterns for peer reviews are listed below. Actual review team staffing may vary.



Lead: Audit Chief CEA= 4 points  
Manager, Supervisor= 3 points



Assistant: Manager, Supervisor = 2points  
Assistant: Non-supervisor = 1 point

To assure the long term success of the peer review program the unit must contribute one Lead on at least one peer review.

Annually, CASA will send out letters listing the number of credits earned or needed by agencies to fulfill their commitment for its upcoming peer review. Within 30 days of receipt of the letter, agencies should respond stating their proposed peer review staffing commitments. Failure to timely respond may result rescheduling of the agency's peer review, or removal from the program, or both. Priority in the schedule will be given to those agencies that have fulfilled their commitments and have demonstrated a strong dedication to the program.

### How to Request a Peer Review

The Audit Chief should complete the attached *CASA Peer Review Request/Commitment Form* and submit to the CASA Peer Review Coordinator as soon as possible after the completion of a peer review. A minimum 18 months advance notification of the peer review due date is required by CASA. This will

allow sufficient time to schedule the nominated peer reviewers on other peer reviews and fulfill the required participation commitment. The peer review due date is three years and six months from the year-end of your previous peer review (i.e., date the peer review report needs to be issued by to be considered timely). Ordinarily, the peer review year-end is three years from the previous peer review year-end. If this is an initial Peer review, the review year-end is to be mutually agreed upon by the requesting agency and CASA. If a different review year-end period is desired, indicate the new year-end and reasons for the change. Note that any lapse in coverage may be considered by the prospective peer review team in their evaluation of the quality control system. Merely requesting a peer review from CASA does not justify a lapse of coverage as there are other peer review provider options available.

The form should clearly state the staff resources that will be committed and the period of their availability. Ideally, agencies should provide reviewers over a three-year period (five-year period for agencies that follow IIA standards only). CASA reserves the right to deny any requests for peer reviews if the calendar is full, or the requesting agency has not fulfilled its participation requirement (i.e., has not provided sufficient number of peer reviewers, or the nominated peer reviewers are not qualified, or peer reviewer performance is substandard).

Currently, the demand for peer reviews exceeds the capacity of the program; therefore, new requests will be placed on a waitlist until space becomes available. CASA does not make any guarantees as to when a space in the schedule will become available. Priority will be given to those agencies that have accrued sufficient number of credits or will be able to complete the requisite credits prior to the schedule opening. From time to time CASA will send out e-mail solicitations for peer reviewers and agencies are encouraged to respond and provide peer reviewers in order to build up credits.

### **Peer Reviewer Qualifications**

Peer review knowledge and professional competence may be obtained from on-the-job training, training courses, or a combination of both. Having personnel on the peer review team with prior experience on a peer review or internal inspection team is desirable.

Participation by Audit Executives, Managers or Supervisors is highly encouraged and may be required for larger entities. While experienced staff at the Specialist or Associate level is acceptable, nominated staff should have at least one year of experience reviewing other's working papers and or experience with the audit unit's quality monitoring process. Leads must have at least one year of supervisory experience and either have participated in a prior peer review or obtained appropriate peer review training. You may discuss training options with the CASA Peer Review Coordinator. Participation of staff with professional certifications (i.e. CPA or CIA) is highly desired. Willingness to perform the review under the direction of the lead is a must. Below are the requirements from auditing standards:

- a.** The review team collectively has adequate professional competence and knowledge of GAGAS and government auditing.
- b.** Team leadership possesses sufficient expertise and is at a level that will ensure the team's independence and objectivity in conducting the peer review. Team leadership also ensures the proper supervision of the peer review team members.
- c.** The peer review team and individual team members are independent (as defined in GAGAS) of the audit organization being reviewed, its staff, and the engagements selected for the peer review.

**Independence in fact (mind) or in appearance.** The staff has no personal impairments that might cause him/her to limit the extent of the inquiry, limit disclosure, or weaken or slant findings in any way. The peer reviewer cannot be a part of, or under the control of, the organization to which the internal audit activity belongs. Staff cannot volunteer to review an agency where they formally worked as an auditor (CASA uses a four-year period for Government Audit Standards and six years for IIA standards).

d. The review team collectively has sufficient knowledge of how to perform a peer review.

**Professional Competence in auditing.** Competence can be demonstrated through a mixture of experience and theoretical learning (current knowledge of applicable auditing standards is a must).

e. The peer review team is adequately staffed to complete the review within the time frame specified in the written agreement.

Specific responsibilities for review team members are described further down below.

### **CASA Peer Review Committee**

The CASA Peer Review Committee is currently comprised of those Board Members that have prior experience with the Peer Review Program and the Peer Review Coordinator. The Committee has the overall responsibility for the external peer review process. Specific functions performed by the committee are:

1. Provide guidance in the form of policies and procedures for performing and reporting on external peer reviews. This process also involves the monitoring of the ALGA peer review website and ensuring that documents used in performing external peer reviews are current.
2. Review and approve requests for new peer reviews and or removal of peer review agencies from program.
3. Resolve potential disputes that may arise in the review process and ensure the consistency in peer reviews.
4. Coordinate with various federal and local organizations to ensure the adequacy of the CASA external peer review process.

### ***Organization of the Review Team***

#### **The Peer Review Coordinator**

The Peer Review coordinator is responsible for (a) the day-to-day administration and operation of the external peer review program and the (b) coordination and assignment of review members to teams while ensuring the quality of the peer review and developing future reviewers. Specific functions include:

1. Recruit peer reviewers through networking, e-mail solicitations, etc.
2. Prepare the annual peer review schedule and five year-cycle schedule.
3. Assemble the review team and ensure the adequacy of the review team.
4. Assist the team leader in coordinating and planning the review:

- a. Obtain statements of qualification from peer review team members and forward to Peer Review Entity and Review Lead. Discuss any potential conflicts of interest or lack of independence issues and identify alternate team members if necessary.
  - b. Forward most recent and up-to-date peer review materials and guides to Peer Review for completion (forms should be completed one month prior to the start of fieldwork).
  - c. Upon receipt of completed forms, prepare engagement letter and forward to CASA President for signature and Peer Review Entity Audit Executive.
  - d. Forward Peer Review Forms completed by entity to Lead for review and review checklists to be completed during the field as well as report templates.
5. May act as concurrent reviewer to ensure consistency of reported findings with Review program.
  6. Monitor individual peer review assignments and identify and escalate contentious issues to the Peer Review Committee as appropriate.
  7. Participate in Peer Review Committee resolution process as appropriate.
  8. Prior to the peer review exit, perform interview with the lead to obtain an understanding of observations and provide feedback to ensure consistency of the program.
  9. Review peer review draft report and provide any edits as appropriate to the team lead.
  10. Responsible for forwarding final issued reports to Peer Review Committee and retention of issued reports and point system credit computation.
  11. Propose modifications to the peer review program as appropriate.

### **Concurring Reviewer**

In certain circumstances, to ensure the collective competency of the peer review team, CASA may add a Concurring Peer Reviewer (CPRs) to the review team. One example is when a lead is in training. A concurring peer reviewer evaluates the results and findings of the review report to ensure consistency with the policies and procedures of CASA's External Peer Review Program. The CPR may perform a second level review of the peer review working papers if necessary to ensure the quality of the review team's work. CPR's are essential to the peer review process and are selected based upon having significant education, training, and previous experience conducting external peer reviews. Typically, the concurring reviewers include CASA Board members, but the Peer Review Coordinator or any other experienced Senior Audit Executive may also act as a Concurring Reviewer.

Specific functions of the concurring reviewer include:

1. Assist the team leader and review team members concerning any problems arising during the course of the review.
2. Review the findings for appropriateness of the disposition of matters noted during the peer review.
3. Review the draft peer review report.

### **Team Leader**

A team leader plans and directs the organization and daily conduct of the review, supervises the other team members, and is responsible for the preparation of the peer review report. The primary responsibilities of a team leader include:

1. Coordinate all aspects of the review with the state audit organization and CASA Peer Review Coordinator.

2. Establish the scope of the review (select engagements for review) and assess the scheduled timeframe for the review.
3. Review the prior report(s) and working papers, if applicable.
4. Conduct a planning meeting and other meetings as necessary with other team members.
5. Organize the review and ensure the timely completion of the work.
6. Determine team assignments and assist team members, as required.
7. Instruct team members concerning the manner in which working papers are to be prepared.
8. Review work performed by team members.
9. Consult with the concurring reviewer regarding any problems which may arise during the review.
10. Lead the entrance and exit conferences with the reviewed state audit organization.
11. Ensure team members forward their issues to the Summary of Exceptions Form.
12. Discuss with team members (including concurrent reviewer if one was designated) and reach decisions on whether each matter identified during the peer review is a matter, finding, deficiency, or significant deficiency and overall level of compliance or conformance as maybe applicable. Also, discuss any management letter reportable observations.
13. Prior to the exit conference, call the Peer Review Coordinator and discuss observation and obtain feedback. The Peer Review Coordinator will review other peer review reports for similar observations and provide feedback on whether or how to report an observation. This step is necessary to ensure the consistency in the peer review program and is not meant to supplant the Peer Review team's judgment in its interpretation and application of the audit standards.
14. Conduct the exit conference.
15. Participate in peer review resolution process as appropriate. This may require teleconference calls between review team and CASA's Peer Review Committee. The timing of audit resolution can occur at any time during the review.
16. Prepare the draft of the peer review report and management letter if appropriate. Send a copy to the Peer Review Coordinator again to ensure consistency in the program. Please note that it is not the responsibility of the Peer Review Coordinator to edit the draft report.
17. Finalize the peer review report and management letter, if applicable, and include the responses received from the reviewed state audit organization.
18. Compile working papers
19. Provide a recommendation for each team member to CASA staff for participation on future review teams.

### **Team Members**

Team members are responsible for performing the tasks assigned by the team leader. These tasks generally include:

1. Attend the entrance and exit conferences.
2. Actively participate in team meetings.
3. Review engagements using the appropriate checklists.
4. Consult with personnel of the state audit organization, as needed, in order to fulfill assigned tasks.
5. Inform the team leader of the status of assignments and the nature of any problems which may arise.
6. Assist other team members, as needed.
7. Document any matters noted during the peer review. Discuss with team leader what is appropriate to copy and include in the peer review working paper file.
8. Participate in team discussions to determine whether each matter noted during the peer review is a matter, finding, deficiency, or significant deficiency.

9. Provide any necessary input to the team leader in order to finalize the peer review report.
10. Participate in peer review resolution process as appropriate. This may require teleconference calls between review team and CASA's Peer Review Committee.

### **Peer Review Resolution**

From time to time differences in judgment involving the interpretation and application of audit standards may arise. The Peer Review Coordinator will monitor individual peer reviews to identify contentious issues and offer any available guidance from professional standard setting organizations that may be available to the review team and agency being reviewed. If the issue is not resolved it will be escalated to the CASA Peer Review Committee. The resolution process may be triggered at any time during the review and may be requested by the Team Lead, the Peer Review Coordinator, or the Reviewed Agency Audit Executive. The Peer Review Committee will conduct interviews with the review team and review any appropriate document provided to ensure the facts are clearly stated and the substance of the matter is understood. The Audit Executive will be contacted by either the Team Lead, Peer Review Coordinator or Committee members indicating the resolution of the issue. The Audit Executive also will have an opportunity to respond to the report/management letter.