

PEER REVIEW

WEST VIRGINIA LEGISLATURE'S POST AUDIT DIVISION



PEER REVIEW

POST AUDIT DIVISION OF THE WEST VIRGINIA LEGISLATURE'S JOINT COMMITTEE ON GOVERNMENT FINANCE



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INTRODUCTION

Peer Review Purpose

The Post Audit Division of the West Virginia Legislature's Joint Committee on Government Finance (Post Audit Division or PAD) follows "Government Auditing Standards" (i.e., the Yellow Book, or GAGAS) for performance audits. These standards require the office to undergo a peer review every three years. The office recognizes the importance of a peer review for ensuring the quality of its legislative audit work.

The purpose of a peer review is to identify whether the West Virginia Post Audit Division's system of quality control provides reasonable assurance of compliance with "Government Auditing Standards" and professional best practices as determined by peer reviewers with respect to performance audit engagements.

NCSL/NLPES Peer Review Methodology

The Post Audit Division contracted with the National Conference of State Legislatures (NCSL) to perform its 2020 peer review to assess the office's system of quality control and overall quality of reports in a sample of performance audits completed during the period from 2017 to 2020 (see Appendix A). The NCSL staff liaison to the National Legislative Program Evaluation Society organized a peer review team consisting of two experienced and respected program evaluators from Kansas and Louisiana (see Appendix B).

As noted above, the Post Audit Division follows "Government Auditing Standards" (i.e., the Yellow Book or GAGAS) published by the Comptroller General of the United States. This peer review compared the office's policies and performance to Yellow Book requirements and the knowledge base of peers from similar offices. The review provided a collective assessment of the office's quality assurance and review processes, how those quality processes were used to develop the office's performance audits, and the qualifications and independence of staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following Yellow Book standards applicable to performance audits or general criteria.

- 1) General Standards
 - a. Independence
 - b. Professional judgment
 - c. Competence
 - d. Quality control and assurance
- 2) Fieldwork Standards
 - a. Planning
 - b. Supervision
 - c. Obtaining sufficient, appropriate evidence
 - d. Audit documentation
- 3) Reporting Requirements
 - a. Reporting
 - b. Report content
 - c. Distributing reports
- 4) Stakeholder and User Satisfaction with PAD's Products

On Oct. 28, 2020, a conference call was held for the peer review team, the PAD director and other PAD staff assisting with the peer review. During the call, the peer review team was briefed on PAD's audit process and received PAD's policy and procedures manual, a staff list, information about the office's oversight committee (the Post Audits Subcommittee) and the link to the office's enabling statutes. A remote peer review was conducted during the week of Nov. 16-20, 2020. The peer review team held meetings with the PAD director, the audit managers and the entire PAD staff during this time period.

The peer review team reviewed documentation relating to the function of PAD, its audit-related policies and procedures and four performance audits. The audits were selected by members of the peer review team from a list of audits released between 2017 and 2020 (Appendix A). Each peer review team member took lead responsibility for two reports. This included studying the performance audit in depth, reviewing the supporting working papers and interviewing current staff who worked on the performance audit.

The peer review team conducted interviews with one member of PAD's Post Audits Subcommittee, five legislative staff from outside PAD, PAD office managers and selected PAD staff.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years.

The team discussed its preliminary conclusions with the PAD director and audit managers. The team also reported the final compliance rating to all PAD staff.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 3.101 of “Government Auditing Standards, 2011 Revision”—or Section 5.72 of “Government Auditing Standards, 2018 Revision”—(i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

The Post Audit Division has a quality control system that is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable “Government Auditing Standards” for the period reviewed in all material ways with one exception. Therefore, based on the rating definitions set forth in the Yellow Book, the peer review team gives a rating of “pass with deficiencies” to the Post Audit Division of the West Virginia Legislature’s Joint Committee on Government Finance. In the peer review team’s professional judgment, the office’s processes to maintain a consistent physical record or log of its documentation actions must be improved.

Planning, Supervision, Evidence, Documentation. The purpose of documentation is to create an official written record for work done and decisions made—that is, a visible workflow trail. A peer review team’s role is to ascertain, with reasonable assurance, whether an office’s quality control system is suitably designed and followed, and to do so, the team examines an office’s procedural manuals and a sampling of audits and their work papers. Peer review team members should be able to find and understand the written records establishing an audit’s workflow trail with minimal assistance from the audit office’s staff. The peer review team found, however, the Post Audit Division’s written records for documentation were not always maintained in such a way to allow an experienced auditor, with no connection to the audit, to understand the nature, timing, and extent of audit procedures performed from the recorded audit documentation alone. The Post Audit Division, therefore, must improve the processes by which audit workflow is physically tracked.

The office has established internal procedures for planning audits, supervising staff, obtaining evidence, and documentation and reporting. PAD’s policy and procedures manual is referenced to the “Government Auditing Standards.”

The Post Audit Division processes for physically recording its documentation actions do not need major revision. Minor process adjustments, standardized forms and consistent application may accomplish most of the task. The office should especially focus on improving maintenance of its written records detailing audit documentation, supervisory review and data reliability.

The addition and completion of a standardized cover sheet, finding sheet, bridging document, checklist or other form for each work paper would expand the visible workflow trail of an auditor's conclusions, what specific work the auditor performed to arrive at the conclusions and the source of the information used. For example, it is a common best practice in audit documentation that all work papers contain uniform headers, noting date, name, source, etc.

Physical evidence of supervisory review was not always clear in PAD work papers. Use "prepared by" and "reviewed by" notations, tick marks or other methods to create a visible record of supervisory review. Include a spreadsheet or other document to show what data reliability work was conducted and whether the team determined the data to be reliable or not. Whatever methods the office chooses to improve its physical record or log of documentation actions, the office should ensure that the procedures are used consistently across audits.

Independence/Objectivity/Professional Judgment. The Post Audit Division is governed by Chapter 4, Article 2 of the West Virginia Code. PAD also performs audits or reviews of state grant fund disbursements to volunteer fire departments in accordance with West Virginia Code Chapter 12, Article 4, Section 14. Through the statutory authority granted the legislative auditor, the office has access to documents, records and people within other branches of government.

The office has a process for internal disclosure of potential impairments to independence on the part of staff assigned to audits, and the process is set forth in PAD's policies and procedures manual. PAD's policies describe the importance of independence. The PAD director reviews and assesses the independence of staff when assigning them to an audit project. The staff completes independence statements.

Auditors use professional judgment in planning and performing audits and PAD's collective work process provides an assurance of professional judgment.

Competence. The office includes experienced, well-educated staff. The staff's diverse backgrounds and skill sets are beneficial to the office. The staff assigned to perform audits collectively possess adequate professional competence for the tasks required.

Competence may be maintained through a commitment to continued learning and development. The CPE coordinator surveys PAD staff about training needs. Training is available both in-house and through outside resources, including the National Conference of State Legislatures and the National Legislative Program Evaluation Society.

Every two years, PAD staff must complete at least 80 hours of continuing education. For the current CPE cycle, however, GAO is providing a six-month grace period to obtain CPEs due to the COVID pandemic; if used, an extension under this allowance should be noted.

The Post Audit Division uses an electronic system for tracking continuing professional education. Managers receive CPE reports on a regular basis, and CPE reminders are sent to staff. If applicable, the reason for any discrepancy in hours is documented in the electronic tracking system—such as a proration due to hire date.

Reliability/Quality Control and Assurance. The Post Audit Division has a collaborative process, encouraging management and staff work together to ensure the quality of the office's products. The "Post Audit Division Employee Manual" provides excellent background information about West Virginia state government and where/how PAD's work fits into the process, which may be helpful to employees without governmental experience. The office's GAGAS spreadsheet is a useful tool.

While not required by statute to adhere to "Government Auditing Standards," the Post Audit Division does perform its audits in conformity with GAGAS. As a result, PAD undergoes external quality control reviews at regular intervals. These reviews must be conducted by an independent organization that has experience in conducting performance audits. PAD contracted with NCSL to perform its peer review in 2017 and 2020.

Reporting. The Post Audit Division generally complies with the reporting standards of the Yellow Book. For example, the office's reports present conclusions, recommendations and the views of the audited entity (if provided). The reports describe audit objectives, scope and methodology.

Credibility/Effectiveness. Stakeholders provided positive feedback about the usefulness of PAD's work products and staff professionalism. The individuals interviewed by the peer review team believe the Post Audit Division is effective and performs a vital function for the West Virginia Legislature. The office's work often serves as guidance for legislation.

Suggestions for Improvement. As noted above, the peer review team found positive aspects of PAD staff's work. During its review, the peer review team also offered additional technical and procedural suggestions for the PAD director to consider. The suggestions were not criticisms of the office; rather, they were provided as opportunities to further refine its practice of the audit profession.

APPENDIX A. PERFORMANCE AUDITS REVIEWED

“Department of Health & Human Resources’ Child Protective Services,” PA-2019-698, November 2019.

“Division of Corrections’ 25-Year Lease of Former West Virginia Penitentiary,” PA-2018-648, November 2018.

“Public Service Commission—Firearms & Ammunition Inventory,” PA-2019-674, April 2019.

“WV Department of Environmental Protection—Rule 38 CSR 2 11.3.a.3 Mining Reclamation Surety Bond Requirements,” PA-2019-692, September 2019.

APPENDIX B: PEER REVIEW TEAM

Kristen Jacobs

Kristen Jacobs is a senior auditor with the Louisiana Legislative Auditor's Office, where she has worked for more than nine years. During her tenure with LLA, she has done performance audits on a variety of issues, including probation and parole, incarceration rates, child welfare, Medicaid, business tax collections and internal audit functions. She earned her Bachelor of Arts degree in English literature from Louisiana State University and her Master of Arts degree in English literature from the University of Delaware. Ms. Jacobs is a certified internal auditor and a certified government auditing professional.

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Heidi Zimmerman

Heidi Zimmerman is a principal auditor with the Kansas Legislative Division of Post Audit (LPA). She has worked for LPA for 15 years. Currently, she primarily supervises LPA's K-12 education audits. Before joining LPA, she worked for the Kansas Sentencing Commission as a research analyst. Ms. Zimmerman holds a bachelor's degree in political science and a master's degree in history from Fort Hays State University. She is also a Certified Government Auditing Professional.

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Brenda Erickson

Brenda Erickson is a program principal in the Legislative Staff Services Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Office of the District of Columbia Auditor, Hawaii Office of the Auditor, Nebraska Legislative Audit Office, South Carolina Legislative Audit Council, and Washington Joint Legislative Audit and Review Committee. She has worked at NCSL for 36 years. Before

joining NCSL, she worked for the Minnesota House of Representatives for five years. She received her bachelor's degree in math from Bemidji State University.

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APPENDIX C. PROFILES OF PROGRAM EVALUATION OFFICES

Among the many roles state legislatures play—debating public policy, enacting laws and appropriating funds—is the fundamental responsibility to oversee government operations and ensure that public services are effectively and efficiently delivered to citizens.

To help meet this oversight responsibility, most state legislatures have created specialized offices that conduct research studies and evaluate state government policies and programs. These studies—variously called policy analyses, program evaluations, performance audits or sunset reviews—address whether agencies are properly managing public programs and identify ways to improve them. Similar offices in legislatures around the country serve a vital function. They significantly bolster legislatures' ability to conduct independent oversight of the other branches of government and determine if legislative program priorities are adequately fulfilled.

Most parties presenting information to a legislature—such as executive branch agencies, citizen groups and lobbyists—have a vested interest in that information. A legislative sunset, audit or program evaluation office provides a legislature with an independent, objective source of information.

Most legislative program evaluation offices have been in operation for several decades. According to a 2019 NLPES survey of legislative audit offices, about 25% have served their legislatures for more than 50 years. Approximately two-third of audit offices were created during the 1970s, 1980s and 1990s. At least six offices have been created since 2000. The West Virginia Legislature established the position of legislative auditor in statute in 1951. The post audit function has existed since the 1960s.

To help ensure that they produce high-quality work, audit offices use professional standards to guide their activities. Approximately 65% of offices follow “Government Auditing Standards,” issued by the by the Comptroller General of the United States. One quarter of offices use either American Evaluation Association or internally developed standards. Only a handful of offices have not adopted formal standards. In 2009, the West Virginia Post Audit Division began conducting its performance audits in accordance with the generally accepted government auditing standards for performance audits contained in the “Government Auditing Standards” (2011 Revision or 2018 Revision, whichever is appropriate), internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to a 2019 NLPES survey, 22% of legislative audit offices reported having fewer than 10 staff, 50% have 11-30 evaluation staff, 9% have 31-50 staff, and

19% of the offices have 51 or more staff. The West Virginia Post Audit Division has 30 staff, so its staff size aligns with half of its peer audit offices.