

# PEER REVIEW

# STATE OF WEST VIRGINIA POST AUDIT DIVISION





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POST AUDIT DIVISION



NATIONAL CONFERENCE *of* STATE LEGISLATURES

*The Forum for America's Ideas*

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December 2017



The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the nation's 50 states, its commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system.

NCSL has three objectives:

- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver, Colo., and Washington, D.C.

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## INTRODUCTION

### **Peer Review Purpose**

The West Virginia Post Audit Division (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 West Virginia Post Audit Division contracted with the National Conference of State Legislatures (NCSL) to perform its 2017 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 2014 to 2017 (see Appendix A). The National Legislative Program Evaluation Society (NLPES) chair and the NCSL staff liaison to NLPES organized a peer review team consisting of two experienced and respected performance auditors from Colorado and South Carolina (see Appendix B).

As noted above, the West Virginia 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

Prior to the onsite visit, 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. An onsite visit was held October 22-27, 2017. 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 2014 and 2017 (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 three members 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, the assistant to the 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* (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.

In the peer review team’s opinion, the West Virginia 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. Based on its professional judgment, the peer review team gives a rating of “pass” to the West Virginia Post Audit Division.

**Independence.** The West Virginia 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. The PAD director reviews and assesses the independence of staff when assigning them to an audit project. During the course of audit projects, the staff completes independence statements.

**Objectivity/Professional Judgment.** 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. The Post Audit Division is shifting its system for tracking continuing professional education to an online CPE tracking process; for back-up during the transition, the CPE coordinator will maintain hard copies of information as well. All but one auditor received the required CPE hours for the two-year period reviewed. For the auditor who missed hours, the reason and actions taken were documented.

**Reliability/Quality Control and Assurance.** 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.

**Planning, Supervision, Evidence, Documentation.** The office has established internal procedures for planning audits, supervising staff, obtaining evidence, and documentation and reporting that ensure its reliability. PAD's policy and procedures manual is referenced to the *Government Auditing Standards, 2011 Revision*. The office currently is revising its policy and procedures manual to reflect several newly-implemented processes. PAD uses a supervisory review log, which is used to document some of the key interactions and decisions on an audit.

**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. PAD reports focus on objectives and do not include a lot of extraneous information, which keeps reports from being unnecessarily long.

**Credibility/Effectiveness.** The PAD is an effective performance audit organization. Post Audit Subcommittee members and others interviewed by the peer review team expressed satisfaction with the work of PAD staff. Presentations by PAD staff are clear and concise, and PAD audit reports often serve as guidance for legislation. PAD has maintained a high level of published work product and focus on responsiveness to the needs of the legislature in spite of a high level of staff turnover.

**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 and do not affect the peer review team's overall judgment of the office or its compliance with *Government Auditing Standards*.

## APPENDIX A. PERFORMANCE AUDITS REVIEWED

*Department of Agriculture, PA-2017-618, September 2017.*

*Division of Highways, PA-2017-615, August 2017.*

*Health Care Authority, PA-2017-602, February 2017.*

*wvOASIS, Report No. PA-2017-611, June 2017.*

## APPENDIX B: PEER REVIEW TEAM

### **Greg Fugate**

Greg Fugate is a performance audit manager with the Colorado Office of the State Auditor (OSA). He has been at the OSA for 16 years. Mr. Fugate manages the OSA's Professional Practice & Quality Assurance Section, where he is responsible for advising audit staff on the application of auditing standards and internal policies and procedures, conducting internal quality reviews, monitoring staff training and independence for compliance with applicable professional requirements, overseeing the OSA's communications and publications functions, and monitoring the statewide fraud hotline. He has served on the NLPES Executive Committee since 2009, was elected as the NLPES Chair in 2016 and now is the NLPES Immediate Past Chair. Mr. Fugate holds a B.A. degree in political science from Knox College, a M.A. degree in political science from the University of Colorado at Boulder, and he is a Certified Government Auditing Professional and a Certified Fraud Examiner.

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### **Marcia Lindsay**

Marcia Lindsay is the deputy director with the South Carolina Legislative Audit Council (LAC). She has worked for the LAC for more than 28 years, including audits on higher education, juvenile justice, and health and environmental control. Ms. Lindsay holds a master's degree in public administration from the University of South Carolina and an undergraduate degree in business administration from Columbia College. She has been a certified public manager since 2004. Ms. Lindsay is an active member of NLPES and served on the NLPES Executive Committee for six years.

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### **Brenda Erickson**

Brenda Erickson is a program principal in the Legislative Management Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Hawaii Office of the Auditor, Nebraska Legislative Audit Office, South Carolina Legislative Audit Council, and Washington Joint Legislative Audit and Review Committee. She also has participated in numerous assessments of legislative process and staffing, including studies in Arizona, Arkansas, Maine, Oregon, Tennessee and Virginia. She has worked at NCSL for 33 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.

A legislative sunset, audit or program evaluation office provides a legislature with an independent, objective source of information. Most, if not all, parties presenting information to a legislature have a vested interest in the information. These include executive branch agencies, citizens’ groups and lobbyists. A legislative sunset, audit or program evaluation office can provide objective information without taking a position on results of its use. It allows a legislature to ensure that it can obtain the information it needs without depending upon the executive branch to provide it.

Most legislative program evaluation offices have been in operation for many years. Ninety-two percent have served their legislatures more than 10 years, with most offices having served for more than 25 years. 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 half of offices follow *Government Auditing Standards*, issued by the U.S. Government Accountability Office. A quarter of offices use internally developed standards and some offices use more than one set of standards. Most remaining offices have not adopted formal standards. In 2009, the West Virginia Post Audit Division began conducting its performance audits in accordance with *Government Auditing Standards*, internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to the 2015 *Ensuring the Public Trust* survey, more than three-fourths of audit offices have 11 or more evaluation staff. About a fifth of the states have offices with 10 or fewer staff. With 20 staff, the West Virginia Post Audit Division falls into the first category.