
CASA External Peer Review Program Guidelines

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CASA External Peer Review Program Overview

The California Association of State Auditors (CASA) coordinates external peer reviews/assessments through an exchange of resources with state entities. The exchange of resources is accomplished through a Memorandum of Understanding and allows state agencies 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) issued by the Comptroller General of the United States. 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 (ISPPPIA) or GAGAS. The ISPPPIA standards require entities to obtain an external peer review, at least once every five years, and entities that perform audits in accordance with GAGAS are required to obtain an external peer review at least once 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's external 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 2021, CASA performed over 30 peer reviews and currently averages four reviews each year. The program continues to be one of CASA's most popular services for our 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

Introduction

The CASA External Peer Review Program is dependent on the availability of volunteers 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, Assistant, and Concurring peer volunteers from audit organizations. CASA developed the following tracking system to monitor the number of volunteers available for a given review and allow audit organizations to know how many volunteers they have committed to the program.

Eligibility/Credit 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 GAGAS (aka Yellow Book) or assurance and consulting engagements in accordance with the IIA International Professional Practices Framework (aka Redbook).
2. Provide staff with appropriate experience to serve on other external peer reviews.
3. Participate on the CASA Board or committee for a minimum of two years.

To receive an external peer review, a state audit organization is required to furnish staff, equal to the staff resources required to perform in its external peer review and 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 credit system, which computes the credits earned by agencies for their staff participation and those still needed to satisfy its commitments. Base credit values as well as typical staffing patterns for peer reviews are listed in the table below. Actual review team staffing may vary.

CASA Peer Review Credit System

Review Team	Audit Executive/ Manager	Supervisor	Non-Supervisory
Lead	4	3	-
Assistant	2	2	1
Concurring Reviewer	1	1	-
CASA Board/Committee Member ←	2	2	2

← - After serving two years on the CASA Board or as a CASA committee member, the board/committee member will earn indicated credits each year for their audit agency, up to the maximum credits to cover the audit agency's peer review.

To assure the long-term success of the peer review program, the state agency must contribute one Lead on at least one peer review each cycle. A cycle is defined as the required time between peer reviews. For example, GAGAS requires an external peer review every three years. For audit units that conduct Yellow Book audits, the cycle is three years. Therefore, an audit agency must

provide a peer review lead at least once during the three-year period. For those that follow Red Book standards, the cycle is five years.

CASA wants to provide opportunities for all participating state agencies to earn the needed credits. To provide more opportunities to participating state agencies, CASA will first staff the teams with knowledgeable and experienced non-CASA board or committee volunteers. If there is a need for a specific competency and no participating state agency volunteers meet that need, then a request will go out to the board and committee members to fulfill the need.

Annually, CASA will notify participating state agencies 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 in the rescheduling of the agency's peer review, removal from the program, or both. Priority in the schedule will be given to those agencies that have fulfilled their commitments and demonstrated a strong dedication to the program.

How to Request a Peer Review

The Audit Executive should complete the *CASA Peer Review Request/Commitment Form* and submit to the CASA Peer Review Coordinator or CASAuditors@gmail.com as soon as possible. For example, after the completion of a peer review. A minimum of 18 months advance notification of the peer review due date is required by CASA. This will allow sufficient time to schedule the nominated peer volunteers on other peer reviews and fulfill the required participation commitment. Your peer review due date is six months from the year-end of your previous peer review (i.e., date the peer review report needs to be issued to be considered timely). Ordinarily, for Yellow Book reviews, 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, the state agency must 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 volunteers over a three-year period (five-year period for agencies that follow IIA standards). CASA reserves the right to deny any requests for a peer review if the calendar is full, or the requesting agency has not fulfilled its participation requirement (i.e., has not provided sufficient number of volunteers, or the nominated volunteers are not qualified, or volunteer's 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 space in the schedule will become available. Priority will be given to those agencies that have accrued a 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 volunteers and agencies are encouraged to respond and provide volunteers to build up credits.

Peer Volunteers Qualifications

Peer review knowledge and professional competence may be obtained from on-the-job training, training courses, or a combination of both. Having volunteers on the peer review team with prior external or internal peer review experience 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 working papers and/or experience with the audit unit's quality monitoring process. Peer Review Leads must have at least one year of supervisory experience and have participated in either a prior peer review or obtained appropriate peer review training. Participation of staff with professional certifications (i.e. CPA or CIA) is highly desired. Additionally, the willingness to perform the review under the direction of the Lead is required.

Peer Review Team requirements are as follows:

- a. The review team collectively has adequate professional competence and knowledge of GAGAS and/or ISPPIA 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, which is in line with ISPPIA standards) 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 volunteer 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 GAGAS and six-years for IIA standards).

- d. The review team collectively has sufficient knowledge to conduct 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 necessary).

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

Specific responsibilities for peer review Team Members are described further down below.

Roles and Responsibilities

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(s). 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 the program.
 3. Resolve potential disputes that may arise in the review process and ensure consistency in the peer reviews.
 4. Coordinate with various federal and local organizations to ensure the adequacy of the CASA external peer review process.

Peer Review Agency

To prepare and conduct a peer review, the Agency is responsible to:

1. Complete and send Background and Quality Control System Description forms and requested supporting documents to the peer review coordinator and team lead at least one month before the site visit.
2. Set the review period.
3. Sign the review agreement.
4. Provide workspace for peer review team.
5. Ensure requested staff and documents are available to the peer review team. This includes both hard copy and electronic workpapers.
6. Provide feedback about the review to the CASA Peer Review Committee.
7. Storage and retention of the Agency's peer review working papers.

It is the responsibility of the Agency to meet all agreed upon deadlines in providing documents to the Peer Review team. If the Agency will not meet the deadlines, it shall contact the Peer Review Coordinator and explain the status of the documents. If problems with issuing the documents persist, the Peer Review Committee will take whatever action they deem necessary, including postponing or cancelling the review.

Review Team

Peer Review Coordinators

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

1. Recruit peer team members 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 Lead in coordinating and planning the review:
 - a. Obtain statements of qualification from Peer Review Team and forward to Agency and Team 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 Agency for completion (forms should be completed at least one month prior to the start of fieldwork).
 - c. Upon receipt of completed forms, prepare engagement letter and forward to CASA President for signature then to the Agency's Audit Executive for signature.
 - d. Forward to the Team Lead, submitted Agency peer review forms, review checklists, and report templates.

5. May act as a concurring reviewer to ensure consistency of reported findings with the Peer 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, conduct an interview with the lead to obtain an understanding of observations identified and ensuring program consistency.
9. Review peer review draft report and provide any edits as appropriate to the Team Lead prior to issuance for only formatting and consistency purposes.
10. Forward the peer review draft report to CASA Board Members for notification purposes only. This step is necessary to ensure Board Members are aware of peer review results and is not meant to supplant the Peer Review team's judgment in its interpretation and application of the audit standards.
11. Responsible for forwarding final issued reports to Peer Review Committee and retention of issued reports and credit system computation.
12. Propose modifications to the peer review program as appropriate.

Concurring Reviewer

To ensure the collective competency of the peer review team and consistency between peer reviews, the peer review team includes a Concurring Reviewer. A Concurring 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 Concurring Reviewer will perform a second level review of the selected peer review working papers to ensure the quality of the review team's work. Concurring Reviewers are essential to the peer review process and are selected based upon having significant education, training, and previous experience conducting external peer reviews.

Specific functions of the Concurring Reviewer include:

1. Assist the Team Lead and review Team Members concerning any problems arising during the course of the review.
2. Review the workpapers, specifically the appropriateness of the disposition of matters noted during the peer review.
3. Review any workpapers prepared by the Team Lead.
4. Review the draft peer review report.
5. Verify peer review workpapers are provided to the Peer Review Agency.

Team Lead

A Team Lead 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 Lead include:

1. Coordinate all aspects of the review with the Peer Review Agency 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 Peer Review Agency.
11. Ensure Team Members forward their issues to the Summary of Exceptions Form.
12. Discuss with Team Members and Concurring Reviewer to 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 applicable. Also, discuss any management letter reportable observations.
13. Prior to the exit conference, call the Peer Review Coordinator to discuss observation(s) and obtain feedback. The Peer Review Coordinator will review other peer review reports and advise how similar observations were handled in the past. 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 Peer Review Agency's 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 peer review report and management letter, if appropriate. Send a copy to the Peer Review Coordinator prior to issuance 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 Peer Review Agency.
18. Compile working papers and provide the workpapers to the Peer Review Agency.
19. Provide a recommendation to CASA for each Team Member about participation on future review teams.

Team Members

Team Members are responsible for performing the tasks assigned by the Team Lead. 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 Peer Review Agency, as needed, in order to fulfill assigned tasks.
5. Inform the Team Lead 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 Lead 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 Lead in order to finalize the peer review report.
10. Participate in peer review resolution process as appropriate. This may require teleconference calls between the review team and CASA's Peer Review Committee.

Peer Review Team Resolution

In the event of a disagreement in the interpretation and application of audit standards, before issuance of the draft report, the Team Lead will call upon the Concurring Reviewer who will assist resolving the disagreement. If the disagreement cannot be resolved, the Team Lead and Concurring Reviewer will call upon the Peer Review Coordinator for resolution.

Peer Review Agency Resolution

If an issue is not resolved between the team and Peer Review Agency, 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 Peer Review Agency Audit Executive. The Peer Review Committee will conduct interviews with the team and review any appropriate document provided to ensure the facts are clearly stated and the substance of the matter is understood. The Team Lead or Peer Review Coordinator will contact the Audit Executive on the resolution of the issue. The Audit Executive will have an opportunity to respond to the report/management letter.