



# OSIG PERFORMANCE AUDIT PROCESS

Office of the State Inspector General • Post Office Box 1151 • Richmond, VA 23218 • (804) 625-3255

## ***Why does the Office of the State Inspector General conduct performance audits of state agencies?***

Title 2.2, [Chapter 3.2](#) of the Code of Virginia (§§ 2.2-307 through 2.2-322) authorizes the Office of the State Inspector General (OSIG) to conduct performance reviews of Commonwealth of Virginia executive branch agencies to assess and improve the efficiency, effectiveness and economy of state agencies, including recommending changes in the law to the Governor and General Assembly.

A performance audit is one tool used by OSIG to fulfill its mission to serve as a catalyst for positive change by facilitating good stewardship of resources; advocating efficiency and effectiveness; promoting integrity and ethical conduct; and deterring fraud, waste, abuse and corruption.

OSIG's performance audit process is designed to evaluate programs, functions and activities within executive branch agencies — including public colleges and universities — and to provide recommendations to agency leadership on ways to improve operations and safeguard Commonwealth assets. In this capacity, OSIG serves as an independent evaluation resource for agencies.

## ***Who conducts a performance audit?***

A performance audit is conducted by an OSIG team made up of a manager and staff with previous related experience. A performance audit is not a traditional audit focused on financial and compliance issues, but assesses processes for effectiveness, efficiency and economy of operations. Some may liken it to a consulting engagement where OSIG intends to help the agency improve operations.

## ***How does an agency benefit from a performance audit?***

An OSIG performance audit provides an independent review of an agency's programs, functions and activities and an evaluation of the efficiency, effectiveness, and economy of its programs and operations – at no cost to the agency.

The goal of a performance audit is for OSIG to work collaboratively with agency management in the continuous process of identifying ways to improve agency operations and safeguard assets.

## ***What should an agency expect during a performance audit?***

Here's how a performance audit is conducted:

- A **performance audit plan** is developed annually by OSIG's Director of Performance Audit Services, Deputy Inspector General and State Inspector General.
- An **engagement letter** is sent by OSIG to the agency announcing the performance audit. The letter includes a preliminary group of risk areas for review and provides information about the review process.
- At an **entrance conference** meeting, OSIG staff brief agency management on the audit process and objectives. During this meeting, the agency is encouraged to offer areas of concern it would like addressed during the performance audit.
- As a part of **audit planning**, OSIG staff gain an understanding of the areas within the agency to be reviewed through research, interviews, questionnaires, surveys and observations.

- OSIG staff develops an **audit program** outlining the steps to be performed during the course of the review. The audit objectives are shared with agency management and agency feedback is encouraged by OSIG.
- During the **fieldwork/testing** stage, OSIG staff performs the steps outlined in the review program to achieve the audit objectives.
- As observations are noted by OSIG, they are documented on **management comment** forms and reviewed with the agency. Once OSIG and the agency agree there is a valid observation, agency management is provided an opportunity to respond to each OSIG recommendation.
- A **draft report** — including management responses to observations and recommendations documented on management comment forms — is prepared and provided to the agency for review. Agency feedback, questions and concerns are requested by OSIG, with changes made to the draft report as needed.
- Once the draft report is complete, OSIG may conduct an **exit conference** with the agency.
- The **final report** is typically distributed to the governor’s chief of staff and deputy chief of staff, the appropriate Cabinet secretary, the chair of any advisory oversight group (such as the Commonwealth Transportation Board or the State Board of Social Services), chairs of the most relevant House and Senate committees, and the agency head or university president. Most reports are available on the OSIG website and are publicly accessible.
- The agency is asked to send OSIG a **plan of action** for each reported observation within 30 days of receipt of the final report.

- OSIG will **follow up** on the plan of action as appropriate.

***What is expected of the agency when the draft report is received from OSIG?***

Once OSIG submits a copy of the draft report to the agency, agency management has 10 business days to respond.

***Are agency comments included in the final report?***

Yes, agency responses are included in OSIG’s final report. After each OSIG recommendation, the agency’s full response is included.

***What are the results of OSIG’s audits?***

OSIG has issued more than 100 recommendations and identified more than \$17 million in potential cost savings as a result of its performance audits.

Final reports and reviews are available in the Reports section of the OSIG website at <https://osig.virginia.gov/reports/>.

***Is there any follow-up after OSIG issues a report?***

OSIG will conduct a follow-up, status review of the recommendations that were agreed upon during the original performance review.

***Is there internal quality control and assurance established at OSIG?***

OSIG quality control and assurance has been implemented in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the U.S. Government Accountability Office (GAO) to provide reasonable assurance that OSIG and its personnel comply with professional standards and applicable legal and regulatory requirements, which includes independent external peer reviews at least once every three years.