

Ask Jeff A Question

This chapter's selected question is from Tom in St. Paul.

Tom asks, "What about the 'desk review' performed by the OSA. Why is that not adequate government oversight?"

Jeff's Answer: Hi Tom, I have been holding your question for just this appropriate time.

A *desk review* is not a *peer review* of the work papers of a CPA firm.

A *desk review* is a glance at the final product (financial statements). A desk review is performed on all county audits released from the unfunded OSA mandate and examined by CPA firms. It is equivalent to a teacher marking up a term paper and not giving the term paper a grade. The comments go back to the government entity. There is neither follow-up nor consequences. Desk reviews are valueless unless they are used to advance a peer review.

A *peer review* is a detailed analysis of the work papers supporting the audit. A peer review is not performed on all audits; it is done on a random selection of audits performed by CPA firms. Some governmental entities may never get peer reviewed because they are too small. Some may be chosen for peer review every other year because they are too big—a form of a weighted average approach. One goal of a peer review program is to peer review each CPA firm auditing governmental entities at least once every three years.

The desk review can help create the sample of audits that are peer reviewed. If a government entity is too small and never appears to get picked from the population but there are problems uncovered with the entity's financial statements during the desk review, that entity should be placed within the peer review sample.

Under a peer review program administered by the OSA, a CPA firm failing the peer review would not be able to bid on future governmental audits.

The time for government accountability has come.

Sincerely,

Jeff Wiita, CPA

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Contact Jeff