



Corporation  
for Public  
Broadcasting

Office of Inspector General

September 21, 2018

Christopher P. Failla  
Inspector General  
Architect of the Capitol  
Fairchild Building, Suite 518  
499 Capitol Street, SW  
Washington, D.C. 20515

Dear Mr. Failla:

We have reviewed the system of quality control for the audit organization of the Architect of the Capitol (AOC) Office of Inspector General (OIG) in effect for three years ended March 31, 2018 and have issued our report thereon dated September 19, 2018, in which the AOC OIG received a rating of *pass*. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. We do not consider the findings described below to be of sufficient significance to affect the opinion expressed in the report.

We acknowledge procedural improvements made in 2017 and early 2018, including the audit standard operating procedures in February 2017, revised audit policies in December 2017, and the AOC OIG Quality Control Checklist for performance audits in March 2018. All of our comments relate to the “Audit of Information Technology (IT) Property Accountability” OIG Report A-2017-02, issued on May 8, 2017, prior to the revised audit policies of December 2017 and the March 2018 implementation of the AOC OIG Quality Control Checklist for Performance Audits.

The AOC OIG’s response to our draft letter of comment addresses each of our findings as presented below. We have also included the AOC OIG comments in their entirety as the Enclosure to this letter.

**Finding 1. Internal Controls Significant to the Audit Objectives in Performance Audits**

The stated objectives of the audit were to “determine whether accountable IT property has been properly identified and recorded.” However, based on the audit documentation it appears that the work supports a more limited objective of “determining the accuracy of data entered into the Cireson system for assets identified as accountable IT property.” This limitation is particularly necessary because the work performed did not include any testing of whether new procurements were entered into the system. Further, in our judgment given the nature of the objectives, examining internal controls over the identification and recording of IT property would have been significant to the audit objectives.

*Governmental Audit Standards (GAS)* 6.16 states, “Auditors should obtain an understanding of internal control that is significant within the context of the audit objectives. For internal control that is significant within the context of the audit objectives, auditors should assess whether internal control has been properly designed and implemented and should perform procedures designed and implemented to obtain sufficient, appropriate evidence to support their assessment about the effectiveness of those controls....”

Additionally, *GAS* 7.10 states, “...when audit objectives are limited but broader objectives could be inferred by users, auditors should state in the audit report that certain issues were outside the scope of the audit in order to avoid potential misunderstanding.”

The report states that “the absence of testing general and application system controls would have no effect” on the audit results. We agree because the objective of the audit was not to evaluate the security and accuracy of the Cireson system software. However, given the stated objective, we believe internal control work would have been appropriate to assess whether controls had been properly designed and implemented to ensure that IT accountable property was appropriately identified and recorded in the system by accurately identifying the location, tag number, and status of the property.

AOC OIG officials informed us that in March 2018, they fully implemented a new “Audit Quality Control Checklist” for use by auditors throughout the course of each audit. Page 3 of the checklist (Planning Phase) asks whether the auditor: (1) obtained an understanding and performed a preliminary assessment of internal controls; and (2) performed a preliminary assessment of the information systems controls. Page 6 of the checklist (Fieldwork Phase) asks whether the auditor: (1) obtained an understanding and performed an assessment of internal controls; and (2) thoroughly assessed the information system controls if using computer generated information. In completing the quality control checklist, the auditor and supervisor must certify that checklist requirements have been met. At the conclusion of the audit, the checklist is to be signed by the auditor and supervisor. In addition, the “Independent Report Referencer Certification” has a checkbox that the referencer is to verify that the Audit Quality Control Checklist has been completed.

While the checklist should help ensure standards are followed, often during the planning and fieldwork stages working papers are not complete or need to be changed as new information is learned from testing. As a result, more reliance is placed on supervisory oversight to make timely decisions to address standards requirements, e.g., the need to test the effectiveness of internal controls to achieve audit objectives for performance audits. This is often a matter of judgment and experience.

**Recommendation** – AOC OIG should emphasize during supervisory review of audit planning for performance audits whether internal controls are significant to the audit objectives and when they are significant, conduct internal control work to determine the effectiveness of those controls to achieve control objectives. Further, based on the audit work performed emphasis should be placed during supervisory review on whether the audit objectives accurately describe the work performed and conclusions made for reporting purposes.

### *Views of Responsible Official*

The AOC OIG agreed with this recommendation and stated it implemented an Audit Quality Control Checklist in March 2018, which is completed by the auditor and reviewed by the supervisor to enforce compliance with GAS and AOC OIG audit policies and procedures. The checklist includes review of internal controls during the planning and fieldwork phases of audits. The OIG also stated it implemented the TeamMate Audit System in February 2018, which allows supervisors to conduct real time review of work papers.

### **Finding 2. Reporting on Internal Controls in Performance Audits**

The Objective, Scope and Methodology section described that the auditor reviewed AOC policies and procedures and interviewed AOC officials to gain an understanding of Information Technology Division processes. However, the report did not describe the scope of any internal control work performed or deficiencies in internal controls identified that were significant to the objectives.

Given the high error rate found in IT property accountability during the audit, deficiencies in internal controls were a likely cause or at least a contributing factor to the audit results. Further, the report recommendation to “strengthen the recording process to increase the accuracy and completeness of the Cireson inventory database,” is control oriented without specifically mentioning internal controls. AOC management’s response to the draft report also reflects control-related corrective actions (i.e., conduct annual physical inventories, reconcile differences, and periodically audit to verify property records).

*GAS* 7.19 states, “Auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed....” and *GAS* 7.20 states, “...auditors may conclude that identified deficiencies in internal control that are significant within the context of the audit objectives are the cause of deficient performance of the program or operations being audited. In reporting this type of finding, the internal control deficiency would be described as the cause.”

AOC OIG officials stated they have implemented an Audit Quality Control Checklist that requires auditors to document the elements of a finding.

Recommendation – AOC OIG should emphasize during supervisory review whether internal controls are the cause of findings and contribute to the adverse effects found and appropriately report control deficiencies.

### *Views of Responsible Official*

The AOC OIG agreed with this recommendation and cited the Audit Quality Control Checklist and TeamMate Audit System as tools it would use to implement the recommendation.

### **Finding 3. Obtaining Sufficient, Appropriate Evidence**

In the report, the final paragraph under the heading **Audit Results** was not referenced to supporting workpapers.

The paragraph reads, “The errors we noted were due to inaccurate, missing or incomplete information. ITD continues to work with jurisdictions to implement the requirements of AOC Order 8-4, which establishes the appointment of jurisdiction staff to track and account for IT assets. ITD staff took immediate action to fix errors, stating a number of anomalies occurred when transferring information from the old systems...into Cireson and were currently working on scrubbing the database. ITD begun the lengthy process of creating a comprehensive IT accountable property database and will continue to work with the jurisdiction to identify, delete, and modify IT accountable property records.”

Although the indexed report did not provide a reference for the paragraph, AOC OIG provided us with a working paper that it believed to be support for the paragraph. We reviewed the working paper provided and found that it was a summary working paper that generally supported the errors and inaccuracies portion of the report’s conclusions. However, the sentence, “ITD staff took immediate action to fix errors, stating a number of anomalies occurred when transferring information from the old systems ... into Cireson and were currently working on scrubbing the database” did not appear to be supported by audit evidence. Additionally, the final sentence in the paragraph, “ITD begun the lengthy process ....” did not appear to be supported by this working paper.

Unverified statements from management should be attributed to them and not reported as statements of fact unless substantiated in the audit testing.

*GAS 6.56* provides that auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions.

AOC OIG officials informed us that in March 2018, they implemented a new Independent Referencing Review Certification which requires an independent referencer to certify that they reviewed the report for support and accuracy of all statements of fact. The referencer is to provide a list of deficiencies, if any, to the auditor and review actions taken by the auditor in response to deficiencies.

**Recommendation** – AOC OIG should ensure that all reported statements of fact are supported by sufficient appropriate evidence and emphasis should be placed on this during supervisory review and by the Independent Report Referencer.

#### ***Views of Responsible Official***

The AOC OIG officials agreed with this recommendation and stated they have implemented procedures for an Independent Report Reference. They further stated that they have added a Quality Assurance Specialist to conduct these independent reviews and that the Audit Quality Control Checklist includes requirements for obtaining sufficient, appropriate, and relevant evidence and for independent report referencing. They also cited the TeamMate audit system

as a tool that will assist in documenting evidence obtained during audits and allowing for real time review by supervisors.

**Finding 4. Recreating Sample from Information Contained in Workpapers**

We were not able to recreate the sample from the universe information contained in the workpapers. The auditor selected a random sample of 94 property line items from a population of 4,801. To do this, the auditor generated 94 random numbers between 1 and 4,801 and identified the corresponding line item on the population listing. However, when we traced the 94 numbers back to the population listing, the sample selected did not match the corresponding line items in the population. Upon further review and with the auditor's assistance, we determined that the population listing maintained in the workpapers was sorted differently from the population listing actually used to select the sample. The auditor had maintained a copy of the population as originally sorted but it was not in the workpapers.

The 2015 Peer Review Letter of Comment included a recommendation to include sampling methodology as a checkoff item during supervisory reviews. AOC OIG did not implement this recommendation.

AOC OIG officials advised us that the Audit Standard Operating Procedures require that the sampling methodology be documented. They also stated they would add this requirement to the Audit Quality Control Checklist.

Recommendation – AOC OIG should add verification of sampling methodology to the Audit Quality Control Checklist. This review of the sampling methodology should ensure the sample selection is adequately documented in the workpapers.

*Views of Responsible Official*

The AOC OIG agreed with this recommendation and stated its Audit Standard Operating Procedures require documentation of the sampling methodology and this requirement has been added to the Audit Quality Control Checklist.

Very truly yours,



Mary Mitchelson  
Inspector General



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202.593.1948  
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Enclosure

## Attachment 1

September 17, 2018

Ms. Mary Mitchelson  
Inspector General  
Corporation for Public Broadcasting  
401 Ninth Street, NW  
Washington, DC 20004-2129

Dear Ms. Mitchelson:

Thank you for the opportunity to respond to the draft Letter of Comment prepared as part of the external quality control review of the Architect of the Capitol (AOC) Office of Inspector General (OIG). We recognize the peer review process as an important facet of an audit organization's quality control efforts. We are pleased that your independent review of our audit operations resulted in a *Pass* opinion and concluded that our system of quality control was designed in accordance with the quality standards established by the Comptroller General of the United States, and was compliant to provide reasonable assurance of conforming to applicable *Government Auditing Standards*.

The Letter of Comment contains recommendations that, while not affecting the overall opinion, are designed to strengthen the audit quality controls, and we concur with the findings and recommendations regarding the Information Technology Property Accountability Audit. Since that audit, we have updated our policies and procedures and have made several other enhancements to our processes. These enhancements include implementation of the Teammate Audit System, which provides for efficient documentation and real time supervisory review. In addition, we implemented the Audit Quality Control Checklist, which requires completing actions to comply with *Government Auditing Standards*. We also added a Quality Assurance Specialist to our Office to among other duties, also conduct Independent Reference Reviews of audit reports. Please find our detailed responses to each of the findings in Attachment 2.

We appreciate the effort your team put into the review of our audit office's system of quality control. It has been a pleasure working with all of you. If you have any questions, please call me at 202.593.0260, or Ashton Coleman, Jr., Assistant Inspector General for Audit, at 202.593.0261.

Sincerely,

Christopher P. Failla, CIG  
Inspector General

## Attachment 2

### **Corporation for Public Broadcasting Office of Inspector General (CPB OIG)**

**Recommendation 1:** AOC OIG should emphasize during supervisory review of audit planning for performance audits whether internal controls are significant to the audit objectives and when they are significant, conduct internal control work to determine the effectiveness of those controls to achieve control objectives. Further, based on the audit work performed emphasis should be placed during supervisory review on whether the audit objectives accurately describe the work performed and conclusions made for reporting purposes.

**AOC OIG Response:** We concur that the Information Technology (IT) Property Accountability Audit should have included the obtaining and documentation of the understanding of internal controls that is significant within the context of the audit objectives. Our audit policies do include periodic supervisory review at each phase of the audit and our standard operating procedures include consideration of internal management controls during development of the audit program. We implemented an Audit Quality Control Checklist in March 2018, which is completed by the auditor and reviewed by the supervisor to enforce compliance with Generally Accepted Government Auditing Standards (GAGAS) and our audit policies and procedures. This Checklist includes review of internal controls during the planning and fieldwork phases. Furthermore, we implemented the Teammate Audit System in February 2018, which allows supervisors to conduct real time review of work papers.

**CPB Recommendation 2:** AOC OIG should emphasize during supervisory review whether internal controls are the cause of findings and contribute to the adverse effects found and appropriately report control deficiencies.

**AOC OIG Response:** We concur that the report of the IT Property Accountability Audit should have described the scope of any internal controls work performed or deficiencies in internal controls identified that were significant to the objective. Our audit policies do include periodic supervisory review at each phase of the audit and our standard operating procedures include consideration of internal management controls during development of the audit program. We implemented an Audit Quality Control Checklist in March 2018, which is completed by the auditor and reviewed by the supervisor to enforce compliance with GAGAS and our audit policies and procedures. This Checklist includes review of internal controls during the planning and fieldwork phases. Furthermore, we implemented the Teammate Audit System in February 2018, which allows supervisors to conduct real time review of work papers.

**CPB Recommendation 3:** AOC OIG should ensure that all reported statements of fact are supported by sufficient appropriate evidence and emphasis should be placed on this during supervisory review and by the Independent Report Referencer's review.

**AOC OIG Response:** We concur that the statement of facts in the IT Property Accountability Audit report should be supported by sufficient appropriate evidence. Since that audit, we have implemented procedures for a documented Independent Report Reference. We also added a Quality Assurance Specialist to our office to conduct these independent reviews. The Audit Quality Control

Checklist includes requirements for obtaining sufficient, appropriate and relevant evidence and independent report referencing. In addition, we configured the newly implemented Teammate Audit System to require information to further document supporting evidence obtained during an audit and this system allows real time review by the supervisor. Furthermore, Teammate Audit System allows efficient referencing to supporting documentation.

**CPB Recommendation 4:** AOC OIG should add verification of sampling methodology to the audit Quality Control Checklist. This review of the sampling methodology should ensure the sample selection is adequately documented in the work papers.

**AOC OIG Response:** We concur that the IT Property Accountability Audit work papers should have documented the sampling methodology. Our Audit Standard Operating Procedures have included the requirement to document the sampling methodology since the last peer review. Effective September 2018, we have included this requirement to the Audit Quality Control Checklist.