



System Review Report

April 30, 2014

James E. Springs, Acting Inspector General
National Archives and Records Administration

We have reviewed the system of quality control for the audit organization of the National Archives and Records Administration (NARA) Office of Inspector General (OIG) in effect for the 12-months ended September 30, 2013. A system of quality control encompasses the NARA OIG's organizational structure and the policies adopted and procedures established to provide the NARA OIG with reasonable assurance of conforming with *Government Auditing Standards*, December 2011 Revision, issued by the Comptroller General of the United States. The elements of quality control are described in *Government Auditing Standards*. The NARA OIG is responsible for designing a system of quality control and complying with it to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and NARA OIG's compliance therewith based on our review.

We conducted our review in accordance with *Government Auditing Standards* and the *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, which was issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) in March 2009 and updated in November 2012. During our review, we interviewed NARA OIG's personnel and obtained an understanding of the nature of the NARA OIG audit organization and the design of the NARA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the NARA OIG's system of quality control. The selected engagements represented a reasonable cross-section of the NARA OIG's audit organization, with an emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NARA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the NARA OIG's audit organization. In addition, we tested compliance with the NARA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NARA OIG's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

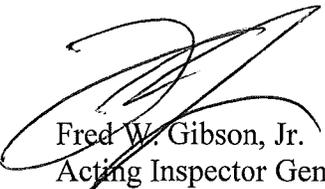
There are inherent limitations in the effectiveness of any system of quality control and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Attachment 1 to this report identifies the office that we visited and the engagements that we reviewed. Attachment 2 contains the NARA OIG's written response to a draft of this report.

In our opinion, the system of quality control for the audit organization of the NARA OIG, in effect for the 12-months ended September 30, 2013, has been suitably designed and complied with to provide the NARA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NARA OIG audit organization has received a peer review rating of *pass*.

As is customary, we have issued a Letter of Comment, dated April 30, 2014, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures, in accordance with guidance established by CIGIE, related to the NARA OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs does not constitute an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the NARA OIG had controls to ensure the IPAs performed contracted work in accordance with professional standards. Our objective was not to express an opinion and accordingly, we do not express an opinion, on the NARA OIG's monitoring of work performed by IPAs. We made certain comments related to the NARA OIG's monitoring of engagements performed by IPAs in the above-referenced letter, dated April 30, 2014.



Fred W. Gibson, Jr.
Acting Inspector General

Attachments

SCOPE AND METHODOLOGY

We tested compliance with the NARA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 5 of 11 audit reports and audit memoranda¹ issued during the period October 1, 2012 through September 30, 2013. Of the five audits that we reviewed, one involved the NARA OIG's monitoring of an IPA where the IPA served as the principal auditor during the period October 1, 2012 through September 30, 2013. We also reviewed the five internal quality assurance reviews performed by the NARA OIG during the same period. In addition, we performed limited procedures to assess six assignments that were not performed in accordance with *Government Auditing Standards*.

The CIGIE *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, issued in March 2009 and updated in November 2012, was used in the conduct of this review. We conducted our work in the College Park, Maryland, office of the NARA OIG.

Audits Performed by the NARA OIG That Were Selected for Review

| Report No. | Report Date | Report Title |
|------------|-------------|--|
| 13-06 | 01/31/2013 | <i>Audit of NARA's Compliance with the Improper Payment Elimination and Recovery Act of 2010</i> |
| 13-11 | 09/19/2013 | <i>Audit of the Base ERA System's Ability to Ingest Records</i> |
| 13-14 | 09/18/2013 | <i>Audit of Processing of Textual Records</i> |
| 13-15 | 09/25/2013 | <i>NARA's Handling of Paper-Based Disclosure of Personally Identifiable Information (PII)</i> |

Monitoring Files for an IPA Audit That Was Selected for Review

| Report No. | Report Date | Report Title |
|------------|-------------|--|
| 13-05 | 12/10/2012 | <i>Cotton and Company's NARA FY 2012 Financial Statements Independent Audit Report</i> |

¹ According to the NARA OIG Procedures Manual v3 (Procedures Manual), audit memoranda are used to report the results of a performance audit when there are no findings or when the findings are considered to be insignificant.

NARA OIG COMMENTS ON THE DRAFT REPORT



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April 23, 2014

Fred W. Gibson, Jr,
Acting Inspector General
Office of Inspector General (OIG)
Federal Deposit Insurance Corporation
3501 Fairfax Drive
Arlington, VA 22226

Dear Mr. Gibson,

I have reviewed the draft System Review Report summarizing the results of your review of our Office's system of quality control for the year ended September 30, 2013 and concur with the report's conclusions. We are pleased that your independent review of the Office of Audits' operation resulted in a pass opinion. We believe that the intent of the peer review process is to improve the audit function within the subject agency. Certainly the feedback you provided us is viewed as having been constructive and useful in helping us strengthen and maximize our audit activities and resources.

The Letter of Comment contains recommendations that, while not affecting the overall opinion expressed, are designed to strengthen the Office of Audits' system of quality control. We generally concur with the recommendations and are taking corrective actions to address them. Those actions and proposed completion dates are described in detail in the enclosure.

I appreciate the professional manner in which the audit was conducted and wish to commend Allan Sherman, Sandra Moses, Howard Trebelhorn and Arlene Boateng for their efforts. If you have any questions, please call me at (301) 837-3000.

Respectfully,

James Springs
Acting Inspector General

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