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OFFICE OF THE
INSPECTOR GENERAL

April 3, 2008

Mr. Paul Brachfeld
Inspector General
National Archives and Records Administration
8601 Adelphi Road, Suite 1300
College Park, MD 20740

Dear Mr. Brachfeld:

We have reviewed the system of quality control for the audit function of the National Archives and Records Administration's Office of Inspector General (NARA/OIG) in effect for fiscal year (FY) 2007. A system of quality control encompasses NARA/OIG's organizational structure and the policies adopted and procedures established to provide the office reasonable assurance of conforming with generally accepted government auditing standards (GAGAS). The elements of quality control are described in GAGAS, promulgated by the Comptroller General of the United States. The design of the system, and compliance with it in all material respects, are the responsibility of NARA/OIG. Our objective was to determine whether the internal quality control system was adequate as designed and complied with to provide reasonable assurance that applicable auditing standards, policies, and procedures were met. Our responsibility is to express an opinion on the design of the system and NARA/OIG's compliance with the system based on our review.

Our review was conducted in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. In performing our review, we obtained an understanding of the system of quality control for NARA/OIG. In addition, we tested compliance with the OIG's quality control policies and procedures to the extent we considered appropriate. These tests included the application of the OIG's policies and procedures on selected audits. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Nevertheless, we believe that the procedures we performed provide a reasonable basis for our opinion. Our scope and methodology are specified in Enclosure A.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and may not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that

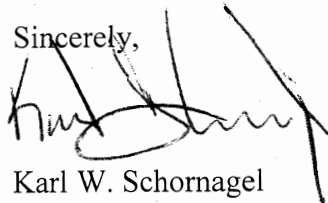
the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, NARA/OIG's system of quality control in effect for FY 2007 was designed to meet the requirements of GAGAS. In addition, our selective tests of the system led us to conclude that the office's audit work conformed to its quality control system that year. Therefore, we believe there is reasonable assurance that NARA/OIG's audit work that year conformed to applicable auditing standards, policies, and procedures.

We are providing, in Enclosure B, some specific proposals to further enhance your quality control system. These issues do not affect our overall opinion of the NARA/OIG quality control system.

A copy of your response to a draft version of this letter, indicating your concurrence with our findings and conclusions, is included as Enclosure C. We appreciate the cooperation extended by you and your staff during this review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karl W. Schornagel', written over a horizontal line.

Karl W. Schornagel
Inspector General

Enclosures

Peer Review Scope and Methodology**Scope and Methodology**

We tested compliance with the NARA/OIG's system of quality control to the extent we considered appropriate. These tests included a review of one of the performance audits listed in the semiannual reports issued for fiscal year (FY) 2007. In addition, we reviewed NARA/OIG's monitoring of the Independent Public Accountant's (Clifton Gunderson LLP) audit of NARA's FY 2007 financial statements.

Audit Reports Reviewed

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
07-06	2/28/2007	Audit of the Processing of Records Accessioned into NARA
07-12	11/20/2007	Audit of National Archives and Records Administration Financial Statements as of and for the Years Ended September 30, 2007 and 2006

Proposed Enhancements for NARA/OIG's Audit Manual

<u>OIG Manual</u>	<u>GAGAS Requirement</u>	<u>Proposed Enhancement</u>
Omission	GAGAS 3.05	Establish policies and procedures to ensure specialists are independent. (Note – The manual only addresses the independence of the IPA auditors who perform the financial statement audits.)
Omission	GAGAS 3.10-3.11	Establish policies and procedures for identifying and resolving external impairments.
Chapter 8	GAGAS 3.30 b.	Enhance policies and procedures by including a requirement to document the understanding with management on nonaudit services.
Omission	GAGAS 3.41	Establish procedures for hiring competent staff and evaluating staff performance.
Omission	GAGAS 3.43	Establish procedures to ensure staff assigned to audits collectively possess adequate skills.
Omission	GAGAS 3.45	Establish procedures to ensure auditors engaged to perform attestation engagements are knowledgeable regarding AICPA attestation criteria.
Omission	GAGAS 3.31 - 3.39	Establish policy and procedures for justifying departures from GAGAS.
Omission	GAGAS 3.52 - 3.54 & PCIE/ECIE Std. V.C	Establish QA policy and procedures requiring performance and analysis of internal QA reviews at least annually.

Enclosure B

Omission	GAGAS 6.03	Establish policy that permits an attestation engagement only if there is reason to believe the subject matter is capable of evaluation against suitable criteria.
Omission	GAGAS 6.21	Establish policy and procedures to ensure documentation is sufficient for an attestation engagement.
Omission	GAGAS 6.07	Establish policy and procedures to communicate relevant information regarding an attestation engagement.
Omission	GAGAS 6.09	Establish policy and procedures for attestation engagements to consider the results of previous audits and attestation engagements.
Omission	GAGAS 7.44 - 7.45	Establish policy and procedures to assess the skill, knowledge and availability of the personnel to staff an audit assignment.
Omission	GAGAS 7.39 - 7.40	Establish policy and procedures to assess the sufficiency/appropriateness of data to be used as audit evidence in planning the audit.
Chapters 2 & 3	GAGAS 7.30 - 7.35	Establish clear policies and procedures for considering risks due to fraud/illegal acts and abuse that could significantly affect the audit objectives (i.e., the manual should state clearly (1) the auditors requirement to design and perform procedures to provide assurance that significant illegal acts will be detected, and (2) that the risk of illegal acts should be assessed.)

Enclosure B

Omission	GAGAS 7.55 - 7.71	Establish policy and procedures for assessing the sufficiency/reliability of audit evidence and computer-processed data.
Chapter 4	GAGAS 7.82	Establish policy to address retention of audit documentation.
Omission	GAGAS 4.10 - 4.13	Establish policy requiring audits to be designed to provide reasonable assurance of detecting material mis-statements resulting from violations of contract provisions, grant agreements, or from abuse.
Omission	GAGAS 4.13	Establish policy addressing the possibility of abuse significantly affecting NARA's financial data.
Chapter 5 (sec. 3)	GAGAS 5.05, 6.32, 8.30	Recommend that section 3 reference GAGAS specifically. (Regarding including the GAGAS statement in audit reports.)
Chapter 5 (sec. 3)	GAGAS 5.10 - 5.17, 6.33 - 6.43, 8.21 - 8.23	Recommend that section 3 reference irregularities/illegal acts, etc. specifically. (OIG policies on reporting standards.)
Chapter 5 (sec. 3)	GAGAS 8.18 - 8.20	Recommend that section 3 address OIG policy on reporting internal control deficiencies.

National Archives



Enclosure C

Office of Inspector General

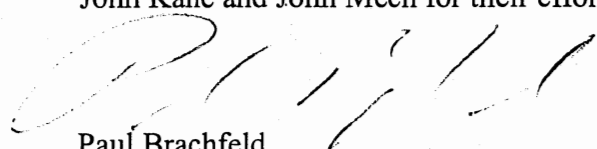
8601 Adelphi Road. College Park, Maryland 20740-6001

March 28, 2008

Karl W. Schomagel, Inspector General
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101 Independence Avenue S.E.
Washington, D.C. 20540

I have reviewed the draft peer review report and concur with the report's findings and conclusions. I believe that the intent of the peer review process is to improve the audit function within the subject agency. Certainly the recommendations and feed back you provided us is viewed as having been constructive and useful in helping us strengthen and maximize our audit activities and resources.

I appreciate the professional manner in which the audit was conducted and wish to commend John Kane and John Mech for their efforts.



Paul Brachfeld
Inspector General