NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS
SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001

March 30, 2016

The Honorable John F. Sopko
Inspector General
Special Inspector General
    for Afghanistan Reconstruction
2530 Crystal Drive
Arlington VA, 22202

Dear Inspector General Sopko,

The NASA Office of Inspector General reviewed the system of quality control for the Special Inspector General for Afghanistan Reconstruction (SIGAR) Auditing Division in effect for fiscal year 2015. As indicated in our February 25, 2016, report, we assigned SIGAR a "pass" rating. During our review, we found three issues that were not of sufficient significance to affect our opinion on this rating but that require your attention. We believe these issues could be addressed through simple revisions to the policy manual.

Issue 1: Guidance for Approving Audit Plan Revisions

GAGAS 6.51 states that auditors should update the audit plan to reflect any significant changes made to the plan during the audit. While SIGAR's Audit Policies and Procedures Manual (APPM) contains procedures for documenting revisions to the audit plan, we noted this procedure was implemented inconsistently among audit teams. We found teams handle audit plan revisions in various ways, including:

- placing memoranda in the workpaper files,

- annotating the audit plan document, and

- modifying existing formal audit plan procedure steps or adding an additional audit plan step.

In addition, we determined the APPM does not require supervisors approve audit plan revisions. Management explained the audit team and senior management typically discuss such revisions during

message agreement meetings and that any revisions and management approval thereof are annotated in the meeting documentation. However, inconsistent documentation of audit plan revisions decreases assurance that audit management approved the revisions, the revisions are appropriately executed during audit field work, and that audit objectives are thoroughly addressed.

Recommendation. We recommend SIGAR revise the APPM to clearly identify acceptable methods for documenting audit plan revisions. We also recommend SIGAR update the APPM to reflect when approval of audit plan revisions takes place, especially when approval occurs after the message agreement meeting.

View of Responsible Official. SIGAR concurred with the recommendation and will revise the APPM to clearly identify acceptable methods for documenting audit revisions and any significant audit plan revisions will be discussed and approved by audit management during the message agreement meeting.

NASA OIG Comments. We consider the SIGAR's actions to be responsive to our recommendation.

Issue 2: Consistent Documentation of Supervisory Review Comments and Their Resolution

GAGAS 4.15 (a.) states that supervisory review of the evidence that supports the findings, conclusions, and recommendations contained in the auditors' report must be documented before the report is released. Similarly, the APPM states that supervisory review of audit documents enables supervisors to identify the need to collect additional evidence and provide feedback to staff on performance. However, the APPM does not include procedures for documenting or tracking supervisory comments or determining whether those comments have been resolved.

We found inconsistencies in how audit teams documented and addressed supervisory review comments. SIGAR management explained that the practice of documenting and addressing supervisory comments varies from team to team. They said it is usually done using "comment boxes" in draft versions of the documents found in the evidentiary files, but may also be done in other ways, including by e-mail or verbal conversations. However, because only final workpaper versions that often do not contain evidence of prior comments are documented in the audit file, we could not readily determine what revisions were made or changes resulted from supervisory review. In addition, in some cases where supervisor comments were documented in comment boxes, no evidence of disposition was included. As a result, it was very difficult to assess if workpaper revisions resulted from supervisory review and whether supervisory concerns were addressed and appropriately resolved before the audit report was issued.

Recommendation. We recommend SIGAR revise its APPM to require consistent documentation of supervisory review comments and clarify how audit teams should document related actions taken by the responsible auditor and the final resolution approved by the supervisor.

View of Responsible Official. SIGAR concurred with our recommendation and will transition to Microsoft 365, which will allow teams to save multiple versions of a document, including those with supervisory comments that can be retrieved from the system. Once Microsoft 365 is fully implemented, SIGAR will require consistent documentation of supervisory review and resolution of comments.

NASA OIG Comments. We consider SIGAR's actions to be responsive to our recommendation.

Issue 3: Guidance for Documenting Assurance that Key Audit Plan Steps Are Addressed

GAGAS 6.82 states that audit documentation is essential and that the process of preparing and reviewing this documentation contributes to audit quality. According to this standard, audit documentation: (1) provides the "principal support" for an audit report, (2) aids in conducting and supervising an audit, and (3) allows for the review of audit quality. Similarly, the APPM states that SIGAR is to conduct periodic reviews of audit documentation contained in the Quality Control Folder during and at the completion of each audit to ensure key audit steps are conducted and approved. However, the APPM does not cite the documents and approval processes that should be used to verify all audit steps were conducted.

We found audit teams do not maintain supporting documentation to enable verification that each step or procedure was performed and where the related documentation is located in the audit file. Although the Quality Control Folder contains checklists attesting that audit documentation is complete, it does not provide specific references to supporting documentation or key audit steps that were performed. Management explained that they do not use a formal audit program or other documentation to reference where each audit step was performed because of high staff turnover and that each audit team has its own method to track key audit steps. Management further stated that during the message agreement meeting attendees compare completed audit work to the audit plan to ensure key audit steps were performed. Finally, management said that during fieldwork and at the conclusion of the audit, the Quality Assurance team confirms key audit steps were performed. However, SIGAR does not maintain documentation that provides specific cross-references between the steps identified in the audit plan and the actual work performed. As a result, the process lacks assurance that all key audit plan steps were addressed and that the audit's objectives were achieved.

Recommendation. We recommend SIGAR update the APPM to require consistent documentation to ensure each key audit step is completed.

View of Responsible Official. SIGAR concurred with our recommendation. Presently, SIGAR's quality control procedures are in place to ensure key audits steps were completed and adequately documented in compliance with applicable professional standards and SIGAR's APPM. SIGAR will review documentation requirements to determine what additional measures can be taken to improve the process.

NASA OIG Comments. We consider the SIGAR's actions to be responsive to our recommendation.

In addition to reviewing the system of quality control to ensure adherence with GAGAS, we conducted limited procedures in accordance with guidance issued by the Council of the Inspectors General on Integrity and Efficiency related to SIGAR's monitoring of audit work performed by an independent public accountant (IPA) where the IPA served as the principal auditor. We identified no matters pertaining to SIGAR's monitoring of IPAs.

SIGAR's full response to our findings and recommendations can be found in Enclosure I.

We appreciate the cooperation and courtesies extended to our review team. Please direct any questions to Laurence Hawkins, Audit Operations and Quality Assurance Director, Office of Audits, at 202-358-1543 or laurence.b.hawkins@nasa.gov.

Sincerely,

Paul K. Martin
Inspector General

Enclosure – 1

Enclosure I: SIGAR's Response

SIGAR | Office of the Special Inspector General
for Afghanistan Reconstruction

John F. Sopko
Special Inspector General

March 18, 2016

Paul K. Martin, Inspector General
Office of Inspector General
National Aeronautics and Space Administration
Suite 8U71, 300 E Street, SW
Washington, DC 20546-0001

Dear Mr. Martin:

We have reviewed the draft report on the results of your external quality control review of SIGAR's audit organization. We concur with your conclusion that our system of quality control is suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We also concur with the comments in your letter of comment to improve our quality control processes. We have taken action or in process of taking action to your recommendations as noted below.

(1) Recommendation: Revise the Audit Policies and Procedures Manual (APPM) to clearly identify acceptable methods for documenting audit plan revisions and to update the APPM to reflect when approval of audit plan revision takes place, especially when approval occurs after the message agreement meeting.

SIGAR Response: SIGAR will revise the APPM to clearly identify acceptable methods for documenting audit revisions and any significant audit plan revisions will be discussed and approved by audit management during the message agreement meeting.

(2) Recommendation: Revise the APPM to require consistent documentation of supervisory review comments and clarify how audit teams should document related actions taken by the responsible auditor and the final resolution approved by the supervisor.

SIGAR Response: SIGAR is transitioning to Microsoft 365 which will allow teams to save multiple versions of a document, including those with supervisory comments that can be retrieved from the system. When this is fully implemented, SIGAR will require consistent documentation of supervisory review and resolution of comments.

1550 Crystal Drive, 9th Floor
Arlington, Virginia 22202

Mail: 2530 Crystal Drive
Arlington, Virginia 22202-3940

Tel: 703 545 6000

www.sigar.mil

5

(3) Recommendation: Update the APPM to require consistent documentation to ensure each audit step is completed.

SIGAR Response: Presently, the Quality Control Folder Form A-1.1, signed by the Auditor-in-Charge, Senior Audit Manager, and the Quality Control Director provides evidence that key audit steps were taken and ensures compliance with applicable professional auditing standards and SIGAR's APPM. This form serves not only as a checklist attesting that audit documentation is complete, but it also provides specific cross-references, that are verified by quality control reviewers to the supporting documentation to ensure that each key audit step was performed and adequately documented. In addition, quality control reviewers verify that the objectives were addressed in each report and that findings are supported with sufficient and appropriate evidence. We will review documentation requirements to determine what additional measures can be taken to improve the process.

I would like to take this opportunity to thank your staff for their professionalism during the course of this peer review. We appreciated their diligent efforts to analyze our system of quality control and for offering constructive improvements.

Sincerely,

John Sopko
Special Inspector General for
  Afghanistan Reconstruction

1550 Crystal Drive, 9th Floor
Arlington, Virginia 22202

Mailing 2530 Crystal Drive
Arlington, Virginia 22202-3940

Tel 703 545 6000

www.sigar.mil

6