



*Office of Inspector General
Export-Import Bank
of the United States*

**System Review Report
On the
Government Publishing Office
Office of Inspector General**

June 2, 2017

Date: June 2, 2017

To: Michael A. Raponi, Inspector General
Government Publishing Office

From: Michael T. McCarthy, Acting Inspector General
Export-Import Bank of the United States

Subject: System Review Report

We have reviewed the system of quality control for the audit organization of the Government Publishing Office - Office of the Inspector General (GPO OIG) in effect for the year ended September 30, 2016. The system of quality control encompasses GPO OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. GPO OIG is responsible for designing a system of quality control and complying with it to provide GPO OIG with reasonable assurance that the organization is 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 GPO OIG's compliance with it based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed GPO OIG personnel and obtained an understanding of the nature of GPO OIG's audit organization, and the design of GPO OIG's system of quality control sufficient to assess the risks implicit in its audit function. We selected audits and administrative files to test for conformity with professional standards and compliance with GPO OIG's system of quality control. The audits selected represented a reasonable cross-section of GPO OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with GPO 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 GPO OIG's audit organization. In addition, we tested compliance with GPO OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of GPO OIG's policies and procedures on selected audits.

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.

Enclosure 1 to this report identifies the GPO OIG offices that we visited and the audits that we reviewed.

GPO OIG's audit organization has made significant improvements in its quality control since its last peer review on May 2, 2014. The last peer review resulted in a *pass with deficiencies* due to supervisory review and audit planning deficiencies. The recommendations from the last peer review were timely implemented and the controls in these areas are working effectively. Although GPO OIG implemented effective controls for those matters, we noted the following deficiency during our review.

Deficiency – We identified that report number 16-19, *Information Technology: Oracle Maintenance and Support Licenses*, did not fully communicate the results of the audit work performed as required by *government auditing standards (GAGAS 7.03)*. Specifically, we determined that the report did not disclose significant facts relevant to the objectives of their work and known to them (*GAGAS 7.17*). Not disclosing these significant facts could mislead knowledgeable users, misrepresent the results, and conceal significant improper practices (*GAGAS 7.17*). Furthermore, the report did not describe the nature and extent of the issues identified based on the work performed to give the reader a basis for judging the prevalence and consequence of the findings (*GAGAS 7.16*). It also was not clear how the findings included in the report addressed the objectives of the audit (*GAGAS 7.14*) and the conclusions and recommendations did not flow logically from the findings (*GAGAS 7.27*). The report did not include clearly developed findings to assist management and oversight officials in understanding the need for taking corrective action (*GAS 7.14*). Lastly the report did not recommend actions to correct all of the deficiencies identified during the audit and to improve programs and operations where the potential for improvement existed (*GAGAS 7.28*). While we determined that earlier draft versions of this audit report met these required standards, the final report issued by the GPO-OIG did not.

We found the following weaknesses with the issued GPO OIG audit report 16-19, *Information Technology: Oracle Maintenance and Support Licenses*, that caused us to question the credibility of the reporting quality control processes of the GPO OIG audit function.

1. The audit work papers showed sufficient and relevant evidence was gathered to support that the technical requirements for the GPO's purchase of Oracle licenses and products were not assessed and documented as required. However, we found that this deficiency was not disclosed in the final audit report. GPO's lack of assessment and documentation of technical requirements was a significant fact relevant to the GPO-OIG's audit objectives to assess how GPO determined the number of licenses it purchased and how products were selected. By not disclosing this relevant fact, the report could mislead knowledgeable users, misrepresent the audit results and conceal a significant improper practice. *(GAGAS 7.17)*

2. The results included in the audit report were descriptive in nature and did not present the severity (nature and extent) of the issues identified during the audit. The report included high level descriptions of the issues found; however, the causes and consequences of those issues were either not reported or were only vaguely summarized. It also was not clear how the findings included in the report addressed the objectives of the audit. The findings were not presented persuasively to ensure the conclusions and recommendations flowed logically from the facts presented. Without this information, the reader could not obtain a basis for judging the prevalence and consequence of the findings. *(GAGAS 7.14, 7.16, 7.27)* For example:
 - a. the report presented the results of the auditor's analysis on the number of licenses, the products installed and the extent to which the products were used. However, it was unclear how these results addressed the objectives to assess how GPO determined the number of licenses it purchased and how products were selected.
 - b. the report included a description of the purchasing process used for a contract awarded more than 10 years ago but there were no conclusions provided to explain the relevance of this process to the current contract and how it related to the objective.
 - c. the results in brief section of the report stated that GPO lacked reasonable assurance that funds were and would be spent as intended. This consequence, however, was not fully developed or explained in the results section of the report to make a clear and logical link from the condition to establish the impact of the identified issue.
 - d. the report stated that GPO certified technical requirements and accuracy for a brand name acquisition without performing any analysis, but the report does not address the cause or the consequence of GPO's failure to perform this analysis.

3. Based on the examples noted above, the report did not recommend actions to correct the deficiencies identified during the audit to improve programs and operations where the potential for improvement existed. (GAGAS 7.28)

Recommendation No. 1 – GPO OIG should develop and implement controls to ensure issued reports fully reflect the results of the audit work performed and communicate the results of the audit in a complete, convincing, and clear manner.

Recommendation No. 2 – GPO OIG should remove Report 16-19, *Information Technology: Oracle Maintenance and Support Licenses*, from its website and reissue it to the agency once the report is compliant with Government Auditing Standards.

In our opinion, except for the deficiency described above, the system of quality control for the audit organization of the GPO-OIG in effect for the year ended September 30, 2016, was suitably designed and complied with to provide GPO-OIG with reasonable assurance of performing and/or 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*. GPO-OIG has received a peer review rating of *pass with deficiencies*.

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 the CIGIE related to the GPO-OIG's monitoring of audit 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 is not 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 GPO-OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on the GPO-OIG's monitoring of work performed by IPAs.

As is customary, we have issued a letter dated June 2, 2017 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Drafts of this report and the letter were provided on May 9, 2017 and a formal written response was requested by May 31, 2017. No response was received and therefore, we are issuing this report and the letter in final without including the views of the Responsible Official.

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the GPO-OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of two audit reports issued September 29, 2016 and September 30, 2016.

In addition, we reviewed the GPO-OIG's monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period October 1, 2015 through September 30, 2016. During the period, the GPO-OIG contracted for the audit of its agency's fiscal year 2014 financial statements. The GPO-OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the GPO OIG office located in Washington, DC.

Reviewed Audits Performed by the GPO OIG:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
16-19	9/29/2016	Information Technology: Oracle Maintenance and Support Licenses

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
16-22	9/30/2016	Cloud Computing: Transition of GPO's Integrated Library System

Reviewed Monitoring Files of GPO OIG for Contracted Audits:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
16-03	12/23/2015	U.S. Government Publishing Office – FY 2014 Independent Auditor's Report (Financial Statement Audit)