



National Association of Local Government Auditors

February 27, 2003

Mr. Charles C. Maddox, Esq.
Inspector General
Government of the District of Columbia
Office of the Inspector General
717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Maddox:

We have completed an external quality control review of the Government of the District of Columbia, Office of the Inspector General, Audit Division for audits issued during the period from January 1, 2002 through December 31, 2002. In conducting our review, we followed the standards and guidelines contained in the NALGA *Quality Control Review Guide* published in May 1995 by the National Association of Local Government Auditors.

As prescribed by the NALGA *Guide*, we reviewed the internal quality control system of your audit organization and tested a sample of audits conducted by your office for compliance with government auditing standards issued by the Comptroller General of the United States. Due to variance in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have concluded from our review that your system of internal quality control was suitably designed and provided reasonable assurance that applicable government auditing standards were followed in your audit work. We have also concluded from the sample of audits tested that your quality controls were working effectively and that audits were conducted in conformance with applicable standards during the period under review.

It is our opinion, therefore, that the Government of the District of Columbia, Office of the Inspector General, Audit Division was in compliance with government auditing standards during the period January 1, 2002 through December 31, 2002. We have prepared a separate letter offering suggestions that may further enhance your department's demonstrated adherence to government audit standards.

Bill Greene
City of Phoenix, AZ

Elizabeth Moore
City of Memphis, TN

Jere Trudeau
Milwaukee County, WI



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Mr. Charles C. Maddox, Esq.
Inspector General
Government of the District of Columbia
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717 14th Street, N.W.
Washington, D.C. 20005

Dear Mr. Maddox:

We have completed an external quality control review of the Government of the District of Columbia, Office of the Inspector General, Audit Division (Audit) for audits issued during the period from January 1, 2002 through December 31, 2002. We issued a report stating our opinion that Audit was in compliance with government auditing standards. We are presenting you with this companion letter to highlight some of the areas where we believe your office has excelled and to offer some suggestions that, in our opinion, will further increase the value of your office.

We want to start by mentioning those areas in which we believe your office excelled. Through observations, interviews and an examination of policies, procedures, and audit working papers, we observed that your office:

- Employed experienced, competent, and qualified staff.
- Developed a thorough policies and procedures manual (*Audit Handbook*) for use by audit staff and management.
- Documented audit work in a comprehensive and well-organized manner.
- Established an extensive and effective quality assurance function, which includes independent reviews of files and reports, as well as internal process improvement reviews.

The above are only some of the many qualities of your office that impressed us during the review. We want to offer some suggestions that may further enhance Audit's demonstrated adherence to government auditing standards.

- Audit staff adequately tested computer-generated data for reliability. Controls to document compliance with this standard (GAS 6.62) could be improved by creating a standard workpaper to summarize reliability testing.
- On some occasions, it is necessary for audit management staff to perform audit work and write reports. Although project monitoring by top management was evident in these cases, we believe it is important to establish a process to document ongoing supervisory review of workpapers to ensure compliance with standards (GAS 6.64).
- In the *Description of its Quality Control System*, Audit noted that financial-related standards were not specifically addressed in its *Audit Handbook* and that it would include these in a future revision. We agree that the research and inclusion of specific AICPA standards in a reference book would help ensure requirements are considered when executing financial-related audits (GAS 4.39, 4.40, 5.36, 5.37).
- In cases where audits begin as non-Yellow Book reviews (e.g. Management Alert Reports), it is important to implement procedures to ensure all standards are followed.

We hope that the observations and suggestions offered in this report help your office continue the professional work that we observed during our stay in Washington, D.C. We wish to extend our thanks to you and your staff for the hospitality and cooperation extended to us during our visit.

Sincerely,



Bill Greene
City of Phoenix, AZ



Elizabeth Moore
City of Memphis, TN



Jere Trudeau
Milwaukee County, WI

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 5, 2003

National Association of Local
Government Auditors
Member Services
2401 Regency Road
Suite 302
Lexington, KY 40503

Dear Mr. Greene, Ms. Moore, and Mr. Trudeau:

I have received your letter dated February 27, 2003, in which you notified this Office that its Audit Division was in compliance with government auditing standards during the period January 1 through December 31, 2002. I have also received your companion management letter of the same date that noted areas where this Office excelled and also included suggested improvements that will increase the value of this Office.

I am particularly pleased that you confirmed that we have a competent, qualified, and experienced staff and that our Audit Handbook thoroughly addressed policies and procedures. In addition, you noted that the audit work was documented in a comprehensive and well-organized manner and that we had established an extensive and effective quality assurance function.

I have also considered your suggestions for improvement. Specifically, this Office intends to revise the Audit Handbook to:

- standardize working papers that address the reliability of computer-generated data so that such audit evidence found in various work papers support a summary work paper;
- authorize the Technical Directorate to perform "supervisory" reviews when it is impractical for supervisors to perform supervisory reviews of the audit work of high-level auditors;
- address more fully the various financial-related standards; and
- ensure that nonaudit work that migrates to audit work is subjected to the same rigorous standards as other audits.

NALGA Peer Review Team

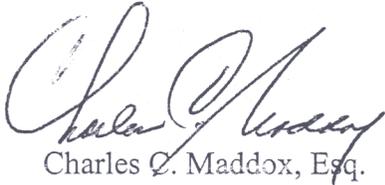
March 5, 2003

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I am pleased that the work of my Audit Division staff over the last few years has culminated in an unqualified opinion by your auditors on this Office's internal quality control system over audits and its compliance with Government Auditing Standards.

To each of you, I would like to extend my appreciation for the professionalism and experience you brought to this endeavor. If you have any questions, please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.
Inspector General

CCM/je