



U.S. Securities and Exchange Commission  
Office of Inspector General  
Office of Audits

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# Library of Congress Office of Inspector General System Review Report



September 3, 2013  
Report No. 520



OFFICE OF  
INSPECTOR GENERAL

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 3, 2013

Karl W. Schornagel  
Inspector General  
Library of Congress  
101 Independence Avenue, S.E.  
Washington, D.C. 20540-1060

Subject: System Review Report on the Library of Congress Office of Inspector  
General Audit Organization

Dear Mr. Schornagel,

Attached is the final System Review Report of the Library of Congress Office of  
Inspector General audit organization conducted in accordance with *Government  
Auditing Standards* and Council of the Inspectors General on Integrity and  
Efficiency guidelines. Your response to the draft report is included as Enclosure 2.

We thank you and all of your staff that we dealt with for your assistance and  
cooperation during the conduct of the review.

A handwritten signature in cursive script, appearing to read "C. W. Hoecker".

Carl W. Hoecker  
Inspector General

Attachment

## System Review Report

September 3, 2013

Karl W. Schornagel  
Inspector General  
Library of Congress  
101 Independence Avenue, S.E.  
Washington, D.C. 20540-1060

Dear Mr. Schornagel,

We have reviewed the system of quality control for the audit organization of the Library of Congress (LOC) Office of Inspector General (OIG) in effect for the year ended March 31, 2013. A system of quality control encompasses the LOC 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*. The LOC OIG is responsible for designing a system of quality control and complying with it to provide the LOC OIG with 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 the LOC OIG's compliance therewith 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 the LOC OIG personnel and obtained an understanding of the nature of the LOC OIG audit organization, and the design of the LOC 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 LOC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the LOC OIG's audit organization, with 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 the LOC OIG's 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 LOC OIG's audit organization. In addition, we tested compliance with the LOC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the LOC 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.

Enclosure 1 to this report identifies the audit engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the LOC OIG in effect for the year ended March 31, 2013, has been suitably designed and complied with to provide the LOC 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 LOC OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 3, 2013, that sets forth a finding that was 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 the CIGIE related to the LOC 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 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 LOC 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 LOC OIG's monitoring of work performed by IPAs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carl W. Hoecker', with a long horizontal flourish extending to the right.

Carl W. Hoecker  
Inspector General

Enclosures (2)

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## Scope and Methodology

We tested compliance with the LOC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of 3 audit reports issued during the period April 1, 2012 through March 31, 2013, and semiannual reporting periods ending September 30, 2012 and March 31, 2013. These tests also included a review of a nonaudit service report that the LOC OIG issued during the period April 1, 2011 through March 31, 2012, and an internal quality control review that a contractor hired by the LOC OIG performed.

In addition, we reviewed the LOC OIG's monitoring of an engagement performed by an IPA, where the IPA served as the principal auditor, during the period April 1, 2012 through March 31, 2013. During this period, the LOC OIG contracted for the audit of its agency's Fiscal Year 2011 Open World Leadership Center financial statements. The LOC OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

### Reviewed Engagements Performed by the LOC OIG

Report No.	Report Date	Report Title
2011-PA-108	September 30, 2012	Opportunities Exist to Improve the Security and Management of the Asian Division Collections
2013-PA-101	March 29, 2013	Working Towards the Spirit of the Government Performance and Results Modernization Act

### Reviewed Nonaudit Service Performed by the LOC OIG

Report No.	Report Date	Report Title
2011-SP-105	January 1, 2012	Comparative Analysis of the Contracts Office's Workload and Staffing Levels

### Reviewed Monitoring File of the LOC OIG for Contracted Engagement

Report No.	Report Date	Report Title
2011-FN-103	July 10, 2012	Open World Leadership Center FY 2011 Financial Statements



OFFICE OF THE  
INSPECTOR GENERAL

**THE LIBRARY OF CONGRESS**

WASHINGTON, D.C. 20540

August 26, 2013

Carl W. Hoecker  
Inspector General  
U.S. Securities and Exchange Commission

Washington, D.C.

Dear Mr. Hoecker,

Thank you for this opportunity to comment on the formal draft report on your peer review of the Library of Congress' Office of Inspector General (OIG) quality control system over audit operations. We appreciate the work of your staff in providing this independent evaluation.

We are very pleased that the report concluded that the OIG's quality control system is designed to meet the standards established by the Comptroller General of the United States for a federal audit organization, that our audits complied with these standards, and that OIG received the highest possible rating of *pass*.

Very truly yours,

A handwritten signature in black ink, appearing to read "Karl Schornagel".

Karl Schornagel  
Inspector General