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To: Kathleen Patterson, D.C. Auditor
Office of the District of Columbia Auditor

From: Andy Brienzo
Kansas Legislative Division of Post Audit

Craig Timmons
Georgia Department of Audits and Accounts

Megan McClure
NCSL Liaison to NLPES

Date: September 16, 2025

Subject: Suggestions for Further Consideration

Government processes benefit from regular review, especially when the review specifically seeks ways for improvement. The Office of the District of Columbia Auditor (ODCA) recognizes the importance of ensuring the quality of the office's work. It requested an NCSL/NLPES peer review to identify whether the office complies with Government Auditing Standards (i.e., the Yellow Book or GAGAS), statutory and internal criteria, and professional best practices. The office also asked for recommendations to improve its process.

The peer review team found positive aspects of the ODCA staff's work.

- ODCA has a positive office culture and continues to monitor and improve culture and employee wellness through voluntary committees.
- ODCA invites feedback and meaningful, in-depth discussion and sharing of ideas beyond just the topics of the peer review. These have touched on things like office culture and the continual improvement of operations and procedures.
- ODCA's work is impactful, relevant, meaningful, highly visible, and serves the public good. Management isn't afraid to take on tough challenges in service of the District.
- ODCA's processes are mature, with a clear commitment to a philosophy of transparency and quality work.
- ODCA's work is clear and plainly linked to the standards.
- The training coordinator surveys staff and supervisors about training needs/wants to ensure training meets GAGAS CPE requirements, as well as subject matter expertise necessary for engagements.

- ODCA teams are integrated into the work and empowered in decision making. Teams feel comfortable working with upper management and providing input. Management holds the teams to high standards and quality of work.
- The adoption and design of the new working paper application eCase executed by management has made review of the work and adherence to ODCA policies and GAGAS standards easier and has reduced the risk of non-compliance.

ODCA aspects and tools noted by the peer review team as exemplary/best in class:

- eCase application and folder structure
- IRR Training
- Training Guidelines
- Comprehensive and sequential Required and Optional workpaper inventory in the procedure guide, which is mirrored in eCase
- Templates: internal control, prior audits, fraud risk

During its review, the peer review team suggested improvements for consideration by ODCA management. The suggestions were not criticisms of the office. Rather, they were provided as opportunities for further refinement and do not affect the peer review team's overall judgment of the office or its compliance with Government Auditing Standards.

Many concerns or findings of the team had already been noticed and remedied or are in the process of being addressed. For example, many of the standard audit templates used during planning (e.g., internal control evaluation, prior audit evaluation, fraud/abuse/noncompliance risk assessment) have been updated since the years under review. We may still mention them here as these improvements are not apparent in the reports reviewed for the Peer Review.

GAGAS (2021 revision) compliance:

GAGAS 5.09: At least annually, audit organizations should obtain written affirmation of compliance with organizational policies and procedures on independence from all staff required to be independent. *ODCA does not currently require staff to submit such an affirmation and should create a policy requiring this. Although ODCA does require staff to submit an affirmation for each project they work on, any project that runs longer than one year would not meet the attestation requirement.*

GAGAS 8.27: Auditors should inquire whether there are any ongoing investigations or legal proceedings significant to the audit objectives and evaluate the effects of any such investigations or legal proceedings. *ODCA policy requires the General Counsel to send a letter to the audited entity asking for this information. On one audit we reviewed, the audited entity didn't respond to this request, limiting the audit team's ability to evaluate whether any investigations or legal proceedings were ongoing. ODCA should create a contingency policy for continuing to pursue this information if the audited entity fails to respond, or it should create a simpler process that is likely to consistently elicit a response (e.g., asking verbally during the entrance conference).*

GAGAS 8.31: Audit organizations should assign staff with adequate professional competence to conduct the audit. ODCA policy requires a competence statement for the entire team at the beginning of the audit, as well as additional competence statements for any staff added to the team during the audit. *Two of the four audits we reviewed had staff added to the audit team, but neither had additional competence statements in the workpapers. Audit supervisors should ensure this step is completed when appropriate. ODCA should also consider creating a policy requiring reassessment of the team's collective competence if staff leave the team during the audit.*

GAGAS 9.58: Audit organizations should distribute audit reports to those charged with governance and other officials who have legal oversight authority. *ODCA policy requires audit reports to be distributed to members of Congress, but this didn't happen for the four audits we reviewed. ODCA should consider creating a process (e.g., closeout step in eCase) to prompt this distribution and ensure it happens consistently.*

Further matters for consideration:

GAGAS 3.27, 3.36: Auditors should apply the GAGAS conceptual framework for independence at the organizational, engagement team, and individual auditor levels. *Assignment of new personnel to an ongoing audit can create threats to independence. ODCA should consider requiring IRR reviewers to complete independence statements, since they are involved in evaluating the sufficiency and appropriateness of the audit evidence prior to the report's finalization.*

GAGAS 8.05: During audit planning, auditors should assess audit risk and use this assessment to establish the scope and methodology of the audit. *Planning is a continuous process. Like other templates that have been updated recently, ODCA should consider updating its audit risk assessment template to require auditors to identify the steps in the audit plan intended to mitigate the identified risks. It should also consider adding a final assessment to this template affirming that each identified risk was mitigated to an acceptable level through the audit work.*

GAGAS 8.60: When information systems controls are significant to the audit objectives or the effectiveness of significant internal controls relies on them, auditors should evaluate the design, implementation, and/or operating effectiveness of such controls. *Like other templates that have been updated recently, ODCA should consider updating its information systems controls evaluation template to identify the steps in the audit plan intended to gain an understanding of and evaluate the identified controls. Alternatively, this could be added to the existing internal controls evaluation template.*

GAGAS 9.68: If, after a report is issued, the auditors discover they did not have sufficient, appropriate evidence to support their findings and conclusions, the organization should notify the original recipients, remove the report, and issue a corrected report. *ODCA doesn't have a policy outlining what this process should look like, but we saw evidence it was done appropriately prior to the period under review. ODCA should create a policy for this process, to ensure it aligns with GAGAS in the unlikely event it occurs.*

ODCA policy requires audit supervisors to ensure that the DC Auditor, Deputy Auditor, and audit team sign off on the final audit report. To document this, they are required to include email correspondence in eCase. *We didn't see complete documentation for three of the four audits we reviewed, one of which included the incorrect email chain. ODCA should consider replacing this email correspondence with a single form including the electronic signatures of all the required staff.*

Based on feedback from a previous peer review, ODCA policy requires a new copy of the draft audit report to be added to the workpapers at every step of review. *We disagree that this is a GAGAS requirement and would encourage ODCA to consider reducing the number of individual copies it keeps in its workpapers and find another way to memorialize each step of the review process. This would reduce version control risks, as well as the risk that outdated draft versions are distributed via a FOIA request.*

CPE Suggestions for Improvement:

GAGAS 4.18: The audit organization should maintain documentation of each auditor's CPE.

ODCA should consider developing a standard form for individuals to report self-certified training. At minimum, this can mimic the guidance documents provided in the CPE files about claiming credit for presentation preparation and delivery. Or ODCA could use a fillable form that at minimum includes the following information (this prevents the Program Support Specialist from doing detective work when entering this information into the CPE Database):

- *Title of training*
- *Date/times the training took place and/or was watched*
- *Official description of training*
- *Speaker names and information such as professional bios and credentials*
- *Sponsoring Organization or Professional Body and contact email for that particular training or organization*
- *Number of CPE hours granted upon training completion*
- *Your best estimation of which CPE category the training fulfills*
- *Was this training approved by direct supervisor*
- *Certification/proof of attendance*
- *Brief notes, materials, learning objectives/take aways from the training (what did you learn or gain from this training) – this can also help you know if a training is quality and useful for others or not worth your people's time in the future*

ODCA should consider periodic checks and communication by supervisors and individuals of their CPE status. A good idea might be to work this into annual and mid-year performance evaluations. Or ODCA could build in a quarterly review and communication by the Program Support Specialist to supervisors and/or staff on their compliance status.

Finally, we suggest a check, at least annually, by the deputy auditor or other leadership familiar with GAGAS CPE categories to verify that the training topics match their designated category. Peer review team members recommend NASBA Guide on Fields of Study as supplemental resource for making category determinations.

As discussed in our final peer review report, members of the peer review team have a favorable opinion of the Office of the District of Columbia Auditor and its staff. We were impressed with numerous aspects of its operation. We appreciate the many courtesies shown us during our on-site peer review and the opportunity to work with and learn from you and your staff.