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Council of the
INSPECTORS GENERAL
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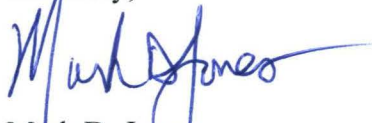
Subject: Log No. 6330-2012-9

This letter responds to your December 2, 2011, Freedom of Information Act (FOIA) request to the Council of the Inspectors General on Integrity and Efficiency (CIGIE). You requested a copy of each IG Audit Peer Review dated during the time period of July 1, 2011, to the present.

We have enclosed 50 pages of documents that are responsive to your request.

You have the right to appeal CIGIE's response by writing to the Council of the Inspectors General on Integrity and Efficiency, 1717 H Street NW., Suite 825, Washington, D.C. 20006-3900. Your appeal must be received within 45 days of the date of this letter. The outside of the envelope should be clearly marked "FOIA APPEAL."

Sincerely,



Mark D. Jones
Executive Director

Enclosures: Documents



National Credit Union Administration

Office of Inspector General

October 31, 2011

David Berry
Inspector General
National Labor Relations Board
1099 14th Street, NW
Washington, DC 20570

Subject: System Review Report on the National Labor Relations Board (NLRB) Office of Inspector General Audit Organization

Dear Mr. Berry:

Attached is the final System Review Report of the NLRB 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 your staff for your assistance and cooperation during the conduct of the review.

Regards,

A handwritten signature in black ink, reading 'William A. DeSarno', is positioned above the typed name.

William A. DeSarno
Inspector General
National Credit Union Administration

Attachment



National Credit Union Administration

System Review Report

Office of Inspector General

October 31, 2011

To David Berry, Inspector General
National Labor Relations Board

We have reviewed the system of quality control for the audit organization of the National Labor Relations Board (NLRB) in effect for the year ended September 30, 2011. A system of quality control encompasses the NLRB 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 NLRB OIG is responsible for designing a system of quality control and complying with it to provide the NLRB 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 NLRB 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 NLRB OIG personnel and obtained an understanding of the nature of the NLRB OIG audit organization, and the design of the NLRB 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 NLRB OIG's system of quality control. The engagements selected represented a reasonable cross-section of the NLRB 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 NLRB 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 the NLRB OIG's audit organization. In addition, we tested compliance with the NLRB OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NLRB 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 offices of the NLRB OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the NLRB OIG in effect for the year ended September 30, 2011, has been suitably designed and complied with to provide the NLRB 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 NLRB OIG has received a peer review rating of *pass*.

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 NLRB 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 NLRB 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 NLRB OIG's monitoring of work performed by IPAs.



William A. DeSarno
Inspector General
National Credit Union Administration

Enclosures

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the NLRB OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of two of two audit reports issued during the period October 1, 2010, through September 30, 2011. We also reviewed the internal quality control reviews performed by NLRB OIG.

In addition, we reviewed the NLRB OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2010, through September 30, 2011. During the period, the NLRB OIG contracted for the audit of its agency's Fiscal Year 2010 financial statements.

We visited the Washington, DC office of the NLRB OIG.

Reviewed Audit Engagements Performed by the NLRB OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-AMR-66	3/23/11	Travel Cards
OIG-AMR-64	4/7/11	Case Processing Costs

Reviewed Monitoring Files of the NLRB OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-F-15	12/15/10	Audit Report on the NLRB's Financial Statements for Fiscal Year 2010



United States Government
NATIONAL LABOR RELATIONS BOARD
OFFICE OF INSPECTOR GENERAL
Washington, DC 20570-0001

October 24, 2011

William DeSarno
Inspector General
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. DeSarno:

Thank you for your efforts and those of your staff in conducting the System Review of the National Labor Relations Board's Office of Inspector General Audit Organization. During this process, I was impressed with the expertise and professionalism of your staff. We have no comments on the draft report.

Sincerely,


David Berry
Inspector General



Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226

Office of Inspector General

September 21, 2011

A. Sprightley Ryan
Inspector General
Office of Inspector General
Smithsonian Institution
MRC 524
P.O. Box 37012
Washington, D.C. 20013-7012

Subject: System Review Report on the Smithsonian Institution's Office of Inspector General
Audit Organization

Dear Ms. Ryan:

Enclosed is the final System Review Report of the Smithsonian Institution's Office of Inspector General audit organization, conducted in accordance with *Government Auditing Standards* and guidelines issued by the Council of the Inspectors General on Integrity and Efficiency. We have also enclosed (1) a Letter of Comment containing findings and recommendations that we did not consider to be of sufficient significance to affect our opinion and (2) your response to our findings with your proposed corrective actions. We consider your planned corrective actions to be responsive to our recommendations.

We thank you and your staff for your assistance and cooperation during the conduct of the review.

A handwritten signature in black ink, reading "Jon T. Rymer", is positioned above the printed name and title.

Jon T. Rymer
Inspector General

Enclosures



Federal Deposit Insurance Corporation

3501 Fairfax Drive, Arlington, VA 22226

Office of Inspector General

System Review Report

September 21, 2011

A. Sprightley Ryan, Inspector General
Smithsonian Institution

We have reviewed the system of quality control for the audit organization of the Smithsonian Institution (SI) Office of Inspector General (OIG) in effect for the 15-month period ended March 31, 2011. A system of quality control encompasses the SI OIG's organizational structure and the policies adopted and procedures established to provide the SI OIG with reasonable assurance of conforming with *Government Auditing Standards*, July 2007 Revision, issued by the Comptroller General of the Government Accountability Office. The elements of quality control are described in *Government Auditing Standards*. The SI OIG is responsible for designing a system of quality control and complying with it to provide 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 SI OIG's compliance therewith based on our review.

We conducted our review in accordance with *Government Auditing Standards* and the *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed the SI OIG's personnel and obtained an understanding of the nature of the SI OIG audit organization and the design of the SI 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 SI OIG's system of quality control. The selected engagements represented a reasonable cross-section of the SI OIG's audit organization, with an emphasis on higher-risk engagements. As a standard practice prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with SI 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 the SI OIG's audit organization. In addition, we tested compliance with the SI OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the SI 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

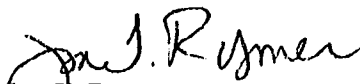
that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

The Enclosure to this report identifies the office that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the SI OIG, in effect for the 15-month period ended March 31, 2011, has been suitably designed and complied with to provide the SI 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 SI OIG has received a peer review rating of *pass*.

As is customary, we have issued a Letter of Comment, dated September 21, 2011, that sets forth findings and recommendations that were 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 SI 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 SI OIG had controls to ensure the IPAs performed contracted work in accordance with professional standards. Our objective was not to express an opinion and accordingly, we do not express an opinion, on the SI OIG's monitoring of work performed by IPAs. We made one comment related to the SI OIG's monitoring of engagements performed by IPAs in our Letter of Comment dated September 21, 2011.



Jon T. Rymer
Inspector General

Enclosure

SCOPE AND METHODOLOGY

We tested compliance with the SI OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 14 audit reports and reviews issued during the period January 1, 2010 through March 31, 2011. We also reviewed two internal quality assurance reviews performed by the SI OIG during the same period. In addition, we reviewed the SI OIG's monitoring of an engagement performed by an IPA where the IPA served as the principal auditor during the period January 1, 2010 through March 31, 2011. During the period, the SI OIG contracted for the audits of SI's Fiscal Year 2009 and 2010 financial statements. The SI OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

The CIGIE *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, dated March 2009, was used in the conduct of this review. We conducted our work in the Washington, D.C., office of the SI OIG.

Engagements Performed by the SI OIG That Were Selected for Review

Engagement Type	Report No.	Report Date	Report Title
Desk Review*	C-09-01	01/15/2010	<i>Report on Audit of the Prime Contract Proposal Submitted by SmithGroup, Inc. and Polshek Partnership, LLP for Initial Pricing Under Contract Number F9936KC10003 Modification Numbers 18 and 19</i>
Desk Review*	C-10-01	09/21/2010	<i>Report on Audit of the Prime Contract Proposal Submitted by Freelon Group, Inc. for Initial Pricing Under Contract Number F10CC10067</i>
Performance	A-10-10	11/18/2010	<i>Collections Accessioning at the National Museum of Natural History</i>
Performance	A-10-03-1	02/08/2011	<i>Collections Stewardship of the National Collections at the National Museum of American History – Inventory Controls</i>

* The desk reviews were performed by an SI OIG auditor in the SI OIG's offices without visiting the contractors' offices.

Monitoring Files for a Contracted Engagement That Was Selected for Review

Report Type	Report No.	Report Date	Report Title
IPA*	A-10-11	03/30/2011	<i>Quality Assurance Letter on FY 2010 Financial Statement Audit</i>

*The Quality Assurance Letter is the SI OIG's product associated with its oversight of the IPA-performed engagement producing the following reports: (1) *Audit of the Closing Package Financial Statement Reports*; (2) *Audit of the Statement of Financial Position of the Smithsonian Institution, and the Related Statement of Financial Activity and Cash Flows*; and (3) *Review of compliance with Office of Management and Budget Circular A-133 [Audits of States, Local Governments, and Non-Profit Organizations]*.



Federal Deposit Insurance Corporation
3501 Fairfax Drive, Arlington, VA 22226

Office of Inspector General

Letter of Comment

September 21, 2011

A. Sprightley Ryan, Inspector General
Smithsonian Institution

We have reviewed the system of quality control for the audit organization of the Smithsonian Institution (SI) Office of Inspector General (OIG) that was in effect for the 15-month period ended March 31, 2011 and have issued our System Review Report thereon, dated September 21, 2011, in which the SI OIG audit organization received a rating of *pass*. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. A report with a peer review of *pass* is issued when the review team concludes that the system of quality control for the audit organization has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

The System Review Report should be read in conjunction with the comments in this letter as they were considered in determining our opinion. The findings and recommendations described below were not considered to be of sufficient significance to affect the *pass* rating expressed in the report.

The enclosure to this letter provides the full text of the SI OIG audit organization's response to the draft report. We consider the planned corrective actions to be responsive to our recommendations.

Finding 1. Standards Followed on Desk Reviews

The audit organization could have more fully evaluated the type of engagement and the applicable standards to be followed when it initiated the two desk reviews* included in our sample. It was unclear from our review of the reports and the underlying working papers which standards were followed for the engagements.

Government Auditing Standards (GAS), July 2007 Revision, issued by the Comptroller General of the Government Accountability Office, state the following:

1.18 All audits and attestation engagements begin with objectives, and those objectives determine the type of audit to be performed and the applicable standards to be followed. ...

* The desk reviews were performed by an SI OIG auditor in the SI OIG's offices without visiting the contractors' offices.

1.19 In some audits and attestation engagements, the standards applicable to the specific audit objective will be apparent. ... In cases in which there is a choice between applicable standards, auditors should evaluate users' needs and the auditors' knowledge, skills, and experience in deciding which standards to follow.

The SI OIG's Audit Manual and Quality Control System (Audit Manual), dated May 2008, Chapter 2, *Professional Standards and Types of Audits*, states:

The *Government Auditing Standards*, commonly referred to as generally accepted government auditing standards (GAGAS), ... include standards for an auditor's professional qualifications, the quality of audit effort, the types of audits, and the characteristics of professional and meaningful audit reports. ... All OIG supervisors and auditors are expected to know GAGAS standards and to consistently apply the standards in performing all audit work.

The audit organization performed the two desk reviews in response to requests from SI's contracting office for assistance in pre-award contract negotiations with SI contractors. We were advised by SI OIG staff that the desk reviews were not typical of the work performed by the audit organization. In fact, the two desk reviews in our sample were the only desk reviews that the SI OIG had performed since 2005.

The desk review reports use terms such as "audit" and "review" when describing the engagement. However, we noted that the audit organization had not gone through a formal planning process to determine the type of engagement or the applicable standards to be followed when it initiated the desk reviews. In addition, the reviews were not subject to certain quality assurance procedures applicable to performance audits, such as supervisory review of working papers. An SI staff member who worked on the desk reviews informed us that the current Audit Manual does not address this type of engagement, but that a prior version of the Audit Manual, dated 1999, included policies and procedures for conducting desk reviews. The staff member advised us that the policies and procedures in the 1999 version of the Audit Manual were followed in conducting the desk reviews. This approach may not have been appropriate because the GAS framework for determining the type of engagement and applicable standards has evolved significantly since 1999.

During our review, we spoke with SI's Assistant Inspector General for Audits (AIGA) about the desk reviews and indicated that it was unclear from our review of the reports and the underlying working papers which standards were followed on the two engagements. The AIGA advised us that the audit organization had misclassified the desk reviews as GAS-related work and that the engagements should have been identified and performed as nonaudit services. Audit Manual Chapter 2, *Professional Standards and Types of Audits*, includes policies and procedures covering nonaudit services.

We recognize that the desk review reports were not made public and were distributed only to the requestor and a limited number of individuals with a need to know because the reports contained contractor information that may have been proprietary. In addition, the desk review reports included limitations regarding the scope of work performed, including a statement that

the costs were not reviewed, in all respects, in accordance with GAS. However, there remained a risk that report users could interpret the desk reviews to provide a higher level of assurance than they actually did given their classification as audits.

Recommendation (1): We recommend that the AIGA reiterate to audit organization staff the requirements of GAS 1.18 - 1.19 and Audit Manual Chapter 2, which state that the auditor should determine and document the engagement type and applicable standards to be followed when initiating desk reviews.

Views of Responsible Official: We agree with this recommendation. The AIGA will review with all audit staff the requirements of general GAS standards and the professional standards contained in Chapter 2 of our Audit Manual to ensure that desk reviews and similar nonaudit service engagements are performed in accordance with applicable standards.

Finding 2. Statements of Independence for Referencers

The audit documentation for the two performance audits we sampled did not include Statements of Independence for the assigned independent referencers. GAS 3.07 states that auditors participating on an audit assignment must be free of personal impairments to independence. This includes those who review the work or the report and all others within the audit organization who can directly influence the outcome of the audit. Audit Manual Chapter 5, *Independence*, Procedures for Identifying and Resolving Personal Impairments, references the GAS requirement, stating:

At the time the auditor is assigned to an audit team, the AIC [Auditor-in-Charge] ensures that each team member completes the OIG Auditor Statement of Independence (including those who review the work or the report...).

Furthermore, Audit Manual Chapter 13, *Indexing and Independent Referencing*, Qualifications of Referencer, states:

The AIGA selects the referencer on the basis of his or her independence, objectivity, experience, analytical ability, knowledge of the rules of evidence, and knowledge of the OIG's reporting policies and standards....

The AIGA advised us that the Chapter 5 requirement is intended to include staff assigned as independent referencers.

Recommendation (2): We recommend that the AIGA re-emphasize to audit organization staff the Audit Manual requirement for independent referencers to execute Statements of Independence.

Views of Responsible Official: We agree with this recommendation and will act on it immediately in accordance with our Audit Manual.

Finding 3. Disciplinary Mechanism for Reporting Personal Impairments

The Audit Manual contains comprehensive policies and procedures for identifying and resolving personal, external, and organizational impairments to independence. The manual further provides for taking what is described as “appropriate action” in relation to organizational impairments. However, the manual does not include a disciplinary mechanism to promote compliance with policies and procedures for identifying, reporting, and resolving personal impairments of independence as required by the standards. GAS 3.08 states:

... audit organizations should include as part of their quality control system procedures to identify personal impairments and help ensure compliance with GAS independence requirements. At a minimum, audit organizations should (a) establish policies and procedures to identify, report, and resolve personal impairments to independence ... [and] (d) establish a disciplinary mechanism to promote compliance with the audit organization’s policies and procedures.

While an audit organization can establish procedures regarding the reporting of personal impairment to independence, ultimately, it is the responsibility of the individual auditor to report such circumstances. Failure to disclose impairments could significantly impact compliance with auditing standards and warrants an established disciplinary mechanism consistent with GAS 3.08. Audit guidance addressing a disciplinary mechanism promotes compliance with policies and procedures to identify, report, and resolve personal impairments to independence.

Recommendation (3): We recommend that the AIGA revise the Audit Manual to include a disciplinary mechanism to promote compliance with the audit organization’s policies and procedures for identifying, reporting, and resolving personal impairments of independence.

Views of Responsible Official: We agree with this recommendation and will include the additional disciplinary mechanism in our Audit Manual.

Finding 4. Reviews of Continuing Professional Education Data

The audit organization could benefit from periodic reviews of documentation supporting continuing professional education (CPE) hour data maintained in the audit organization’s Enterprise Resource and Planning System (ERP). The audit organization used the ERP as a management information system to record, track, and report on staff CPE hours. Such reviews would provide the audit organization greater assurance that audit organization staff satisfies GAS CPE requirements.

We tested GAS CPE hour compliance for the 2008-2009 biennial cycle and for the first year of the 2010-2011 biennial cycle. GAS 3.46 states that auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the biennial cycle. We determined that the audit organization staff met the GAS CPE hour requirements for the 2008-2009 cycle. We also determined that one employee was granted an exception from the

80-hour CPE requirement due to aggregated leaves of absence of a type permitted by the standards. At the time, the Quality Control Manager had requested that the circumstances justifying the exception be documented in the employee's CPE file. However, the justification was not prepared, and the Quality Control Manager was not aware of the omission.

In addition, we noted that the ERP erroneously reported that one individual had earned 21.5 CPE hours during the first year of the 2010-2011 biennial cycle, when, in fact, this individual had earned only 17.5 CPE hours. It appeared that this was the result of a data entry error. We brought several other ERP errors to the audit organization's attention that we had discovered through our tests of documentation supporting ERP CPE hour reports.

If not detected in a timely manner, ERP errors could result in audit organization staff not meeting the GAS 80 hour biennial CPE requirement. Under GAS, an auditor's competence is considered to be impaired if CPE hour requirements are not satisfied, and the auditor should not perform audit work until the CPE deficiency is corrected.

Recommendation (4): We recommend that the AIGA require periodic reviews of documentation supporting CPE hour data in the ERP to ensure the data's reliability. Such reviews should be planned to allow for the timely completion of CPEs consistent with GAS requirements (e.g., completion of the documentation review 2 months before the end of each year in the biennial cycle).

Views of Responsible Official: We agree with this recommendation. Our Quality Control Manager will conduct a review of CPE requirements semiannually to ensure that all auditors meet the CPE requirements and maintain supporting documentation and that information entered into ERP is complete, accurate, and timely. We will use a timetable similar to the one stated in the recommendation.

Finding 5. Reporting Whether Audit Results Can be Projected

The two performance audit reports that we reviewed described sampling techniques that were significant to the audit results. Audit organization staff advised us that sampling designs for both reports did not enable projections of the audit results to the non-sampled populations. While the reports appropriately did not include projections of the audit results to the non-sampled population, both reports could have been improved by including a statement affirming that the audit results could not be projected.

GAS 8.13 states:

...when sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

The SI OIG Audit Manual includes a detailed audit Quality Control Checklist. Although the checklist includes a question covering some of the requirements of GAS 8.13, the checklist

does not address the requirement pertaining to whether the audit results can be projected to the intended population, when applicable. When the audit methodology does not discuss whether the results of the sample can be projected to the intended population, there is a risk that users of the report may draw improper conclusions about untested transactions and desired limits of assurance related to conclusions on the audit objectives.

Recommendation (5): We recommend that the AIGA (a) include language in performance audit reports about whether results can be projected to the intended population when those reports involve sampling that is significant to the audit's findings, conclusions, or recommendations and (b) expand the Audit Manual's Quality Control Checklist to address whether sampling results can be projected to the intended population.

Views of Responsible Official: We agree with the recommendation and will ensure that our audit report language more explicitly states that our sampling results cannot be projected, when appropriate to do so. We will also expand our Quality Control Checklist to ensure that our audit staff accurately reports sampling results.

Finding 6. Internal Quality Assurance Program Enhancements

The audit organization has established an internal quality assurance program that includes, among other things, comprehensive policies and procedures in the Audit Manual (i.e., Chapter 17, *Monitoring Quality*); periodic reviews of engagements; and a Quality Monitoring Checklist. We reviewed two of the three internal quality assurance review reports issued during the period of review and found that the audit organization can improve the overall program's effectiveness and utility to audit organization management by expanding the Quality Monitoring Checklist and making certain other program enhancements described below.

a. Methodology. The objective of the two quality assurance reviews we selected for review was to determine whether the audit teams complied, in all material respects, with GAS and the Audit Manual. To conclude on the objectives, the Quality Control Manager developed a Quality Monitoring Checklist based upon the SI OIG Audit Manual. Audit Manual Chapter 17, *Procedures*, states:

The QC [Quality Control] Manager should develop a comprehensive checklist for the quality assessment that incorporates best practices in the IG community and use it to identify issues of noncompliance, quality, and other concerns.

The Quality Monitoring Checklist did not include all relevant questions contained in the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, Appendix E, *Checklist for Review of Performance Audits Performed by the Office of Inspector General*, applicable to performance audit standards. For example, the Quality Monitoring Checklist did not include questions covering all elements of GAS 8.13 and 8.30

that address whether reports include statements on projecting audit results when sampling is significant and whether performance audits are identified as performance audits, respectively.

Recommendation (6): We recommend that the AIGA require the Quality Control Manager to ensure that the Quality Monitoring Checklist be updated to include all relevant questions from the CIGIE peer review guide, Appendix E, *Checklist for Review of Performance Audits Performed by the Office of Inspector General*.

Views of Responsible Official: We agree with this recommendation and will update the Quality Control Checklist to include all questions from the CIGIE peer review guide.

b. Level of assurance. Conclusions on the objective of the quality assurance reviews were expressed in terms of negative versus positive assurance, possibly indicating a lower level of testing in completing each quality monitoring checklist. GAS 3.53 f. provides that the monitoring of quality is an assessment designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. Quality assurance reviews should be planned and performed to provide positive assurance when concluding on the objectives. Audit Manual, Chapter 17, does not address the level of assurance that should be provided on quality assurance review objectives.

Recommendation (7): We recommend that the AIGA revise the Audit Manual to require the Quality Control Manager to plan and perform quality assurance reviews with the intent of providing positive assurance on the review objective.

Views of Responsible Official: We agree with this recommendation. We will give positive assurance when we believe we have done sufficient work to do so.

c. Quality control. Documentation supporting the two quality assurance reviews did not evidence supervisory review of the work performed or indexing and independent referencing of the final reports. The *Quality Standards for Federal Offices of Inspector General*, dated October 2003, address elements of internal quality assurance programs as follows:

V.C.2. The same professional care should be taken with quality assurance reviews as with other OIG efforts, including adequately planning the review, documenting findings, developing supportable recommendations,

The audit organization can achieve greater assurance that the "same professional care" portion of the standard is fully achieved by performing supervisory review, indexing, and independent referencing of quality assurance reviews. The AIGA advised, and we recognize, that the relatively small size of the audit organization poses challenges in addressing the supervisory review and independent referencing quality controls due to potential conflicts of interest. The audit organization may find it beneficial to evaluate options for ensuring the same level of professional care for quality assurance reports, such as engaging an outside entity to perform the work.

Recommendation (8): We recommend that the AIGA evaluate options for ensuring that the same level of professional care is given to quality assurance reports as with other audit organization efforts.

Views of Responsible Official: We agree with the recommendation and will evaluate all available approaches and options to ensure that our quality assurance reports are of the highest professional quality.

d. Soliciting comments. While the AIGA took action to address the findings in the two draft quality assurance reports we reviewed, the Quality Control Manager did not solicit the AIGA's written comments on either of the reports. The *Quality Standards for Federal Offices of Inspector General*, dated October 2003, addresses elements of internal quality assurance programs as follows:

V.C.2. The same professional care should be taken with quality assurance reviews as with other OIG efforts, including... soliciting comments from the supervisor of the activity or unit reviewed.

Chapter 17 of the Audit Manual does not address whether quality assurance review reports should include the AIGA's formal comments and the Quality Control Manager's evaluation of those comments.

Both of the quality assurance review reports that we selected for review contained recommendations. However, as noted earlier, neither report included formal comments from the AIGA. One report, which was issued on March 26, 2010, contained eight observations and eight recommendations. On April 23, 2010, the AIGA issued a memorandum to the Inspector General that included the quality assurance review results, recommendations, corrective actions, and corrective action implementation dates. The AIGA's actions were timely and added value to the quality assurance process.

The second report, which was issued on March 11, 2011, contained one observation and one recommendation. On April 12, 2011, the AIGA emailed this report (along with the following statement) to audit organization staff:

Attached for your information is the quality assurance review of the collections accessioning audit. Insofar as the review was highly complimentary of the quality of the audit work conducted, I offer this as an internal best practice to follow.

In this case, there could have been a clearer indication of agreement/disagreement with the report's recommendation, any alternative corrective action, or corrective action implementation date. The audit organization's quality assurance review reports would be more complete if they contained written comments from the AIGA and the Quality Control Manager's evaluation of those comments.

Recommendation (9): We recommend that the AIGA revise the Audit Manual to require that quality assurance review reports include the written comments (including

agreement/disagreement on findings, conclusions, and recommendations, any alternative corrective actions, and corrective action implementation dates) and the Quality Control Manager's evaluation of those comments.

Views of Responsible Official: We agree with this recommendation. As a small OIG organization, we communicate such findings, conclusions, and recommendations in staff meetings, informal discussions, and e-mails. We acknowledge the importance of formalizing our communications in this area and we will revise our Audit Manual so as to better document the results of our quality assurance reviews and ensure that our corrective actions are understood and completed by our audit staff.

e. Tracking recommendations. The audit organization did not track or follow up on quality assurance review recommendations to ensure that corrective actions were taken. Audit Manual, Chapter 17, does not discuss whether quality assurance review recommendations should be tracked and subject to periodic follow-up testing. The lack of such tracking reduces the assurance that all quality assurance report recommendations will be fully implemented as intended.

Recommendation (10): We recommend that the AIGA revise the Audit Manual to require that quality assurance review report recommendations be tracked and subject to follow-up to help ensure that corrective action is taken.

Views of Responsible Official: We agree with this recommendation and will revise our Audit Manual accordingly.

Finding 7. Indexing and Referencing of the IPA Quality Assurance Letter

The audit organization did not index and reference the annual Independent Public Accountant's (IPA) Quality Assurance Letter that transmits the results of the IPA's audit of SI's annual financial statements. The annual IPA Quality Assurance Letter is a comprehensive 13-page document that is the functional equivalent of a report. The letter includes such things as a negative assurance statement by the audit organization on the IPA's compliance with applicable standards; an overview of the IPA's significant findings; the audit organization's observations on SI's financial management; and the status of prior-year observations, recommendations, and attachments that (1) describe the status of selected SI financial management performance measures, (2) summarize the IPA's opinions and findings, and (3) define the audit organization's scope and methodology. The scope and methodology attachment also states:

We provided KPMG and the CFO with a draft of this report. Based on their comments, we made changes to the report to the extent we deemed appropriate.

Audit Manual Chapter 13, *Indexing and Independent Referencing*, OIG Policy – Indexing, states:

The OIG's reports come under close scrutiny of, and may be challenged by, Smithsonian management or other parties. Indexing keeps us accountable. Indexing also serves to find errors and on occasion insufficient documentation for an audit finding.

All audit reports must be indexed, which means annotating the audit report to identify specific sources of information used to support the content of the report. Before a formal draft report can be approved and sent to Smithsonian management for written comments, everything said in the report must be fully supported and indexed. Final OIG audit reports must be fully indexed and referenced, with all referencing comments resolved, prior to issuance.

Referencing is a key quality control procedure that the OIG will use in each of its audit and attest engagements.


Indexing and independently referencing the quality assurance letter will help attain the quality control objectives outlined in the Audit Manual, Chapter 13.

Recommendation (11): We recommend that the AIGA require that the IPA Quality Assurance letter be indexed and independently referenced as described in Audit Manual, Chapter 13.

Views of Responsible Official: We agree with the recommendation regarding indexing and independent referencing and will do both for the FY 2011 Letter.

In addition to the seven findings presented above, we discussed certain observations with the audit organization and shared best practices information related to the design and implementation of quality control systems. We did not consider these observations and best practices to be sufficiently significant to include in this letter.

We appreciate the courtesy and cooperation extended to our staff in the course of this review. If you have any questions, please contact me at (703) 562-2166 or Allan Sherman, Senior Program Specialist, at (703) 562-6349.


Jon T. Rymer
Inspector General

SMITHSONIAN INSTITUTION OIG AUDIT ORGANIZATION
COMMENTS ON THE DRAFT REPORT



Smithsonian Institution

Office of the Inspector General

September 8, 2011

The Honorable Jon T. Rymer
Inspector General
Federal Deposit Insurance Corporation
3501 Fairfax Drive
Arlington, VA 22226

Dear Mr. Rymer:

Thank you for this opportunity to comment on the formal draft report on your peer review of the Smithsonian Institution's Office of Inspector General's (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 and that our Office of Audit complied with these standards during your period of review to provide the OIG with reasonable assurance of conforming with applicable auditing standards, policies, and procedures.

The following are our responses to your findings and recommendations. We will complete all correctives actions related to your findings and recommendations no later than March 31, 2012.

Finding 1, Standards Followed on Desk Reviews

Recommendation (1): We recommend that the AIGA reiterate to audit organization staff the requirements of GAS 1.18 - 1.19 and Audit Manual Chapter 2, which state that the auditor should determine and document the engagement type and applicable standards to be followed when initiating desk reviews.

We agree with this recommendation. The AIGA will review with all audit staff the requirements of general GAS standards and the professional standards contained in Chapter 2 of our Audit Manual to ensure that desk reviews and similar nonaudit service engagements are performed in accordance with applicable standards.

Finding 2, Statements of Independence for Referencers

Recommendation (2): We recommend that the AIGA re-emphasize to audit organization staff the Audit Manual requirement for independent referencers to execute Statements of Independence.

We agree with this recommendation and will act on it immediately in accordance with our Audit Manual.

MRC 524
PO Box 37012
Washington DC 20013-7012
202.633.7050 Telephone
202.633.7079 Fax

SMITHSONIAN INSTITUTION OIG AUDIT ORGANIZATION
COMMENTS ON THE DRAFT REPORT

Finding 3. Disciplinary Mechanism for Reporting Personal Impairments

Recommendation (3): We recommend that the AIGA revise the Audit Manual to include a disciplinary mechanism to promote compliance with the audit organization's policies and procedures for identifying, reporting, and resolving personal impairments of independence.

We agree with this recommendation and will include the additional disciplinary mechanism in our audit manual.

Finding 4. Reviews of Continuing Professional Education Data

Recommendation (4): We recommend that the AIGA require periodic reviews of documentation supporting CPE hour data in the ERP to ensure the data's reliability. Such reviews should be planned to allow for the timely completion of CPEs consistent with GAS requirements (e.g., completion of the documentation review 2 months before the end of each year in the biennial cycle).

We agree with this recommendation. Our Quality Control Manager will conduct a review of CPE requirements semiannually to ensure that all auditors meet the CPE requirements, maintain supporting documentation, and ensure that information entered into ERP is complete, accurate, and timely. We will use a timetable similar to the one stated in the recommendation.

Finding 5. Reporting Whether Audit Results Can be Projected

Recommendation (5): We recommend that the AIGA (a) include language in performance audit reports about whether results can be projected to the intended population when those reports involve sampling that is significant to the audit's findings, conclusions, or recommendations and (b) expand the Audit Manual's Quality Control Checklist to address whether sampling results can be projected to the intended population.

We agree with the recommendation and will ensure that our audit report language more explicitly states that our sampling results cannot be projected, when appropriate to do so. We will also expand our Quality Control Checklist to ensure that our audit staff accurately reports sampling results.

Finding 6. Internal Quality Assurance Program Enhancements

Recommendation (6): We recommend that the AIGA require the Quality Control Manager to ensure that the Quality Monitoring Checklist be updated to include all relevant questions from the CIGIE peer review guide, Appendix E, Checklist for Review of Performance Audits Performed by the Office of Inspector General.

We agree with this recommendation and will update the Quality Control Checklist to include all questions from the CIGIE peer review guide.

SMITHSONIAN INSTITUTION OIG AUDIT ORGANIZATION
COMMENTS ON THE DRAFT REPORT

Recommendation (7): We recommend that the AIGA revise the Audit Manual to require the Quality Control Manager to plan and perform quality assurance reviews with the intent of providing positive assurance on the review objective.

We agree with this recommendation. We will give positive assurance when we believe we have done sufficient work to do so.

Recommendation (8): We recommend that the AIGA evaluate options for ensuring that the same level of professional care is given to quality assurance reports as with other audit organization efforts.

We agree with the recommendation and will evaluate all available approaches and options to ensure that our quality assurance reports are of the highest professional quality.

Recommendation (9): We recommend that the AIGA revise the Audit Manual to require that quality assurance review reports include the written comments (including agreement/disagreement on findings, conclusions, and recommendations, any alternative corrective actions, and corrective action implementation dates) and the Quality Control Manager's evaluation of those comments.

We agree with this recommendation. As a small OIG organization, we communicate such findings, conclusions and recommendations in staff meetings, informal discussions, and e-mails. We acknowledge the importance of formalizing our communications in this area and we will revise our Audit Manual so as to better document the results of our quality assurance reviews and ensure that our corrective actions are understood and completed by our audit staff.

Recommendation (10): We recommend that the AIGA revise the Audit Manual to require that quality assurance review report recommendations be tracked and subject to follow-up to help ensure that corrective action is taken.


We agree with this recommendation and will revise our Audit Manual accordingly.

Finding 7. Indexing and Referencing of the IPA Quality Assurance Letter

Recommendation (11): We recommend that the AIGA require that the IPA Quality Assurance letter be indexed and independently referenced as described in Audit Manual, Chapter 13.

We agree with the recommendation regarding indexing and independent referencing and will do both for the FY 2011 Letter.

Very truly yours,


A. Sprightley Ryan
Inspector General



June 9, 2011

To: Dana Rooney-Fisher, Inspector General
Federal Labor Relations Authority

OIG Report 11-04

We have reviewed the system of quality control for the Federal Labor Relations Authority (FLRA) Office of Inspector General (OIG) audit organization in effect for the period August 2010 through May 2011. This coincides with your tenure as Inspector General (IG). We determined that assessing the period prior to the start of your tenure would serve no useful purpose.

In our opinion, the system of quality control for the audit organization of FLRA OIG in effect for the period August 2010 through May 2011 has been suitably designed to provide FLRA OIG with reasonable assurance of performing and reporting in conformity with applicable standards in all material aspects. Therefore, based on our work, FLRA OIG has received a peer review rating of pass.

A system of quality control encompasses FLRA OIG's organizational structure, the policies adopted, and procedures established to provide it with reasonable assurance of conforming to Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. FLRA OIG is responsible for designing a system of quality control and complying with it to provide FLRA 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 FLRA OIG's compliance therewith based on our review.

The FLRA OIG consists of one professional, the IG, who informed us that due to this staff limitation; and the need to focus efforts on satisfying mandatory audit work as required by statute (i.e., Accountability of Tax Dollars Act of 2002, and Federal Information Security Management Act of 2002) her efforts were dedicated on ensuring those mandatory requirements were met in a timely and professional manner. The FLRA OIG is responsible for ensuring those required are completed timely and in accordance with applicable standards, regardless of whether the IG personally performs the audits or whether the engagement is commissioned by a contract. During the review period the FLRA OIG contracted with independent public accounting firms to conduct the annual Financial Statement Audit and FISMA evaluation. The FLRA IG served as the Contracting Officer's Technical Representative and monitored the performance of an Independent Public Accountant (IPA) to ensure the FLRA OIG fulfilled its responsibility for completing mandated audits. During this period the FLRA OIG did not conduct any other attest engagements subject to GAGAS. As a result, our review was conducted in accordance with Government Auditing Standards and guidelines established by the Council of the Inspector General on Integrity and Efficiency (CIGIE), which encompassed the monitoring of IPA audit work and the availability of a quality control system for use in connection with any audits performed in accordance with GAGAS. Thus, since no other attest engagements were performed during the period under review, we did not test compliance with certain GAGAS requirements that are only applicable to attest engagements performed by the IG or OIG staff.

During our review, we interviewed the FLRA IG and obtained an understanding of the FLRA OIG audit organization, and the design of the FLRA OIG's system of quality control sufficient to assess the risks implicit in its audit function. We tested the availability of FLRA OIG's quality control policies and procedures and the files relative to monitoring the IPA audits. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure (1) to this report identifies the office of the FLRA OIG that we visited and the engagements we reviewed.


Hubert Sparks
Inspector General

Enclosure
SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the FLRA OIG audit organization's system of quality control for the period August 2010 through May 2011 to the extent we considered appropriate. During this time the FLRA OIG did not perform audit or attestation engagements subject to GAGAS other than those performed under contracts with IPA firms to conduct audits or other GAGAS engagements. Therefore, we did not test compliance with certain FLRA OIG's system of quality control.

We reviewed the FLRA OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period August 2010 through May 2011. During the period, FLRA OIG contracted for the audit of its agency's Fiscal Year 2010 financial statements and FLRA OIG monitored the IPAs work.

We visited the Washington, D.C. Office of FLRA OIG.

Reviewed applicable policies and procedures.

Reviewed monitoring files of FLRA OIG for the following contracted engagements:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AR-11-01	11/15/10	Audit Report on FLRAs Financial Statement For Fiscal Year 2010
ER-11-01	11/12/10	Evaluation of FLRAs Compliance with Federal Information Security Management Act Fiscal Year 2010



U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

732 North Capitol Street NW
Washington, DC 20401-0050

June 27, 2011

Ms. Kathy A. Buller
Inspector General
Peace Corps
1111 20th Street, N.W.
Washington, D.C. 20526

Subject: System Review Report on the Peace Corps' Office of Inspector
General Audit Organization

Dear Ms. Buller:

Attached is the final System Review Report of the Peace Corps' Office of
Inspector General audit organization conducted in accordance with
generally accepted government auditing standards and Council of the
Inspectors General on Integrity and Efficiency guidelines.

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

A handwritten signature in black ink, appearing to read 'Rodolfo Ramirez, Jr.', written over a faint, larger signature.

Rodolfo Ramirez, Jr.
Inspector General

Attachment



U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

732 North Capitol Street NW
Washington, DC 20401-0050

June 27, 2011

Ms. Kathy A. Buller
Inspector General
Peace Corps Office of Inspector General
1111 20th Street, N.W.
Washington, D.C. 20526

We have reviewed the system of quality control for the audit organization of the Peace Corps Office of Inspector General (OIG), in effect for the year ended September 30, 2010. A system of quality control encompasses the Peace Corps OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with generally accepted government auditing standards (GAGAS) July 2007 Revision (GAO-07-731G). The elements of quality control are described in GAGAS. The Peace Corps OIG is responsible for designing a system of quality control and complying with it to provide the Peace Corps 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 Peace Corps OIG's compliance therewith based on our review.

Our review was conducted in accordance with GAGAS and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed Peace Corps OIG personnel and obtained an understanding of the nature of the Peace Corps OIG audit organization, and the design of the Peace Corps 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 Peace Corps OIG's system of quality control. The engagements selected represented a reasonable cross-section of the Peace Corps OIG's audit organization, with emphasis on high-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with the Peace Corps 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 the Peace Corps OIG's audit organization. In addition, we tested compliance with the Peace Corps OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Peace Corps 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.

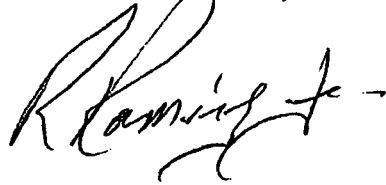
There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

The Enclosure to this report identifies the offices of the Peace Corps OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the Peace Corps OIG in effect for the year ended September 30, 2010, has been suitably designed and complied with to provide the Peace Corps 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 Peace Corps OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated June 27, 2011, that sets forth findings that were 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 Peace Corps 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 Peace Corps 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 Peace Corps OIG's monitoring of work performed by IPAs. We made certain comments related to the Peace Corps

OIG's monitoring of engagements performed by IPAs that are included in the above referenced letter dated June 27, 2011.

A handwritten signature in black ink, appearing to read "Rodolfo Ramirez, Jr.", with a stylized flourish at the end.

Rodolfo Ramirez, Jr.
Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the Peace Corps OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 5 of 11 performance audit reports issued during the period October 1, 2009 through September 30, 2010, and semiannual reporting for the same period.

In addition, we reviewed the Peace Corps OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2009 through September 30, 2010. During the period, the Peace Corps OIG contracted for its fiscal year 2009 financial statements and Federal Information Security Management Act (FISMA) audits that were to be performed in accordance with generally accepted government auditing standards (GAGAS).

We visited the Washington, D.C. office of the Peace Corps OIG.

Reviewed Engagements Performed by the Peace Corps OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
IG-10-03-A	December 2009	Peace Corps OIG/Cape Verde
IG-10-04-A	January 2010	Peace Corps OIG/Tanzania
IG-10-05-A	January 2010	Peace Corps OIG/Office of the Chief Information Officer Budget Formulation and Management
IG-10-06-A	March 2010	Peace Corps Process for Soliciting, Awarding, and Administering Contracts
IG-10-11-A	May 2010	Peace Corps OIG/Moldova

Reviewed Monitoring Files of the Peace Corps OIG for Contracted Engagements

<u>Report Date</u>	<u>Report Title</u>
N/A	Annual Review of Peace Corps Fiscal Year 2009 Information Security Program
November 12, 2009	Audit of Peace Corps' Fiscal Year 2009 Financial Statements



System Review Report
On the
Equal Employment
Opportunity Commission
Office of Inspector General
Audit Organization

September 2011



UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

System Review Report

September 9, 2011

To: Milton A. Maye, Jr.
Inspector General
Equal Employment Opportunity Commission

We have reviewed the system of quality control for the audit organization of the Equal Employment Opportunity Commission's Office of Inspector General (EEOC OIG) in effect for the 3-year period ended March 31, 2011. A system of quality control encompasses EEOC 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*. EEOC OIG is responsible for designing a system of quality control and complying with it to provide EEOC 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 EEOC 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 EEOC OIG personnel and obtained an understanding of the nature of the EEOC OIG audit organization, and the design of the EEOC 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 EEOC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the EEOC 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 EEOC 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 EEOC OIG's audit organization. In addition, we tested compliance with the EEOC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the EEOC 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.

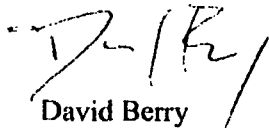
There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the

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.

An enclosure to this report identifies the offices of the EEOC OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of EEOC OIG in effect for the 3-year period ended March 31, 2011, has been suitably designed and complied with to provide EEOC 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*. EEOC OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated September 9, 2011, that sets forth findings that were 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 EEOC 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 EEOC 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 EEOC OIG's monitoring of work performed by IPAs.



David Berry
Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure)

Scope and Methodology

We tested compliance with the EEOC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of 4 audit and attestation reports issued during the period April 1, 2008 through March 31, 2011. We also reviewed the internal quality control reviews performed by EEOC OIG.

In addition, we reviewed the EEOC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2008 through March 31, 2011. During the period, EEOC OIG contracted for the audit of its agency's Fiscal Year 2010 financial statements. EEOC OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Headquarters Office of the EEOC OIG in Washington, D.C.

Reviewed Engagements Performed by EEOC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
2007-07-ADV	April 29, 2009	Strategic Management of Human Capital: Succession Planning
2008-14-ATL	September 14, 2009	Management Advisory on Internal Controls

Reviewed Monitoring Files of EEOC OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
2010-03-FIN / 2010-04-FIN	November 12, 2010 / February 11, 2011	Audit of the Equal Employment Opportunity Commission's Fiscal Year 2010 Financial Statements / Management Letter for Fiscal Year 2010 Financial Statement Audit



U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
Washington, D.C. 20507

Office of
Inspector General

September 1, 2011

Mr. David Berry
Inspector General
National Labor Relations Board
1099 14th St. N.W.
Washington, DC 20570-0001

Subject: System Review Report on the U.S. Equal Employment Opportunity Commission Office
of Inspector General Audit Organization

Mr. Berry:

Thank you for the opportunity to comment on the draft System Review Report on the U.S. Equal Employment Opportunity Commission Office of Inspector General's system of quality controls.

We are pleased that your office concluded that our audit organization's system of quality controls was suitably designed and provided reasonable assurance that our audit organization conducted and reported in conformity with applicable professional standards in all material respects. We are pleased to receive a peer review rating of "Pass".

Please extend our appreciation to the peer review team for their professionalism in conducting the review. If you have any questions, please contact me or Joyce Willoughby, Acting Deputy Inspector General, at (202) 663-4397.

Sincerely,

A handwritten signature in black ink, which appears to read "Milton Mayo, Jr.", is written over the typed name.

Milton A. Mayo, Jr.
Inspector General



UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-1100

OFFICE OF
THE INSPECTOR GENERAL

July 29, 2011

Report No. 7A-PR-00-11-078

Mary L. Kendall
Acting Inspector General
Office of Inspector General
Department of the Interior
1849 C Street, N.W., MS 4428
Washington, DC 20240

Subject: Report on the System Review of the U.S. Department of the Interior Office of
Inspector General Audit Organization

Dear Ms. Kendall:

We have reviewed the system of quality control for the audit organization of the Department of the Interior (DOI) Office of Inspector General (OIG) in effect for the year ended September 30, 2010. A system of quality control encompasses the DOI 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 DOI OIG is responsible for designing a system of quality control and complying with it to provide the DOI 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 DOI 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 DOI OIG personnel and obtained an understanding of the nature of the DOI OIG audit organization, and the design of the DOI 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 DOI OIG's system of quality control. The engagements selected represented a reasonable cross-section of the DOI 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 DOI 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 the DOI OIG's audit organization. In addition, we tested compliance with the DOI OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the DOI 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.

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 DOI 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 DOI 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 DOI OIG's monitoring of work performed by IPAs.

In our opinion, the system of quality control for the audit organization of DOI OIG in effect for the year ended September 30, 2010, has been suitably designed and complied with to provide the DOI 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 DOI OIG has received a peer review rating of *pass*.

We noted, however, conditions that warrant your attention, though they did not impact our opinion. These matters are described in more detail in Enclosure 1 to this report, under findings and recommendations.

Enclosure 2 to this report identifies the offices of the DOI OIG that we visited and the engagements that we reviewed.

The DOI OIG Assistant Inspector General for Audits, Inspections, and Evaluations concurred with our findings and recommendations in a July 22, 2011 response to our draft report. The DOI OIG plans to take action to address our findings and revise its policies and quality assurance review process to emphasize the conditions noted in our report.

The Office of Audits, Inspections, and Evaluations plans to have its new policies issued and the new quality assurance process in place by September 30, 2011. The Assistant Inspector General for Audits, Inspections, and Evaluations' response is included as Exhibit A.

I would like to express my sincere appreciation for the cooperation and consideration extended to my staff. If you have any questions, please contact me or Michael R. Esser, Assistant Inspector General for Audits, at 202-606-1200.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick E. McFarland". The signature is fluid and cursive, with the first name "Patrick" being the most prominent.

Patrick E. McFarland
Inspector General

Enclosure

FINDINGS AND RECOMMENDATIONS

Audit Risk Assessment

We found that the audit risk assessment procedures need to be re-emphasized to the audit staff. The audit documentation for 5 of the 10 audits that we reviewed contained no audit risk assessment. The five reports are:

- C-IN-MMS-0007-2008 -- Mineral Management Service: Royalty-in-Kind Program's Oil Volume Verification Process
- C-IN-MOA-0010-2008 -- DOI's Accountability and Preservation of Museum Collections
- VI-EV-VIS-0003-2009 -- Monitoring of Capital Improvements Projects -- Virgin Islands; Port Authority
- K-CX-NPS-0006-2009 -- Westwind Contracting, Inc. Settlement Proposal
- ER-IN-OSS-0009-2009 -- International Technical Assistance Program

Audit risk is the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete, as a result of factors such as insufficient or inappropriate evidence, an inadequate audit process or intentionally omitted or misleading information. *Government Auditing Standards* require auditors to plan the audit to reduce audit risk to an appropriate level. *Government Auditing Standards* also require auditors to assess audit risk by gaining an understanding of internal control as it relates to the specific objectives and scope of the audit. In addition, the DOI OIG Audit Memorandum No. 05-OA-2008, Audit Risk, states: "During audit planning, the audit team must assess audit risk..." The Audit Memorandum establishes policy and provides detailed procedures for assessing audit risk.

Recommendation 1

We recommend that the DOI OIG management ensure that during the planning stage, audit teams complete and document an audit risk assessment for all *Government Auditing Standards* audits.

Views of Responsible Office: Agree

Sampling Methodology

We found that the DOI OIG audit reports and the corresponding working papers did not always include an adequate description of the sampling methodology used in conducting

the audits. Two of the 10 audits that we reviewed did not contain a sampling methodology. The two reports are:

- C-IN-MMS-0007-2008 -- Mineral Management Service: Royalty-in-Kind Program's Oil Volume Verification Process
- VI-EV-VIS-0003-2009 -- Monitoring of Capital Improvements Projects -- Virgin Islands; Port Authority

Government Auditing Standards state that when the sampling methodology supports the auditors' findings, conclusions or recommendations, the auditors should describe the sampling design and state why the design or plan was chosen, including whether the results can be projected to the intended population. Without an adequate description of the sampling methodology, reviewers and readers may not understand the work conducted and the significance of the findings. We could not find any DOI OIG policies or procedures explaining the methodology of sampling or the requirement to include a description of the methodology in audit reports.

Report No. C-IN-MMS-0007-2008 states that to accomplish the objectives, samples of sales proprieties were selected. However, no description of the sampling methodology is mentioned in the audit report. In addition, Strategic Petroleum Reserve sampling and testing was performed and referred to in the working papers; however, the sampling methodology was not mentioned in the report.

Report No. VI-EV-VIS-0003-2009 states that 12 projects were selected for sampling. Within another part of the report, we found that the total number of projects was 109. There was no sampling methodology mentioned in the audit report or working papers. In addition, the referencer's comment sheet requested an explanation and justification for the sample selected. The comment given was that it was randomly sampled. However, this is not shown in the working papers.

None of the reports or working papers stated whether the sample results could be projected to the population.

Recommendation 2

We recommend that the DOI OIG management: 1) ensure that a sampling methodology is described in the audit report and working papers for any audit that uses sampling; and, 2) issue a memorandum providing guidance for all of the audit offices to include a description of the sampling methodology in their audit reports and working papers.

Views of Responsible Office: Agree

Report Timeliness

We found that the DOI OIG did not comply with *Government Auditing Standards* and its own audit policy and procedures regarding timeliness. Four of the 10 audits reviewed were not issued in a timely manner. Those reports are:

<u>Report Number</u>	<u>Number of Months over the 1 Year Period</u>
▪ C-IN-MMS-0007-2008	11 months
▪ VI-EV-VIS-0003-2009	6 months
▪ C-IN-MOA-0010-2008	4 months
▪ ER-IN-OSS-0009-2009	3 months

Government Auditing Standards state to be of maximum use, providing relevant evidence in time to respond to officials of the audited entity, legislative officials, and other users' legitimate needs is the auditors' goal. Likewise, the evidence provided in the report is more helpful if it is current. Therefore, the timely issuance of the report is an important reporting goal for auditors.

DOI OIG Audit Memorandum No. 04-OA-2005, Audit Timeliness and Milestones, states that the timely issuance of audit reports is a key factor in their usefulness to Departmental managers. Significant delays increase the risk that the audit information is outdated or not meaningful to current conditions.

The Audit Memorandum further states that the OIG policy for the maximum elapsed days from start of the review (audit or evaluation) to issuance of the final report is 1 year. The 1-year timeframe pertains to complex internal audits and evaluations. Smaller scale evaluations, audits of contracts and grants, and other limited scope reviews should be completed within shorter periods.

Also, the Audit Memorandum states that the timeline for issuing final reports within 1 year of the start date begins with the date of the entrance conference and ends with the issuance of the final audit report. The audit team should present options to complete the review within 1 year if delays are expected. Some of these options include adding additional staff, reducing the scope, and revising the objectives. Also, the automated work paper software, AutoAudit, includes a number of timeline steps to allow for monitoring of the issuance of the final report within 1 year.

Recommendation 3

We recommend that DOI OIG management: 1) ensure that audit reports are issued on a timely basis, as required by *Government Auditing Standards* and DOI OIG policies; and, 2) document factors that will delay the issuance of a timely report and request additional needs to meet the 1-year timeframe.

Views of Responsible Office: Agree

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the DOI OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 10 of 33 audit and attestation reports issued during the period October 1, 2009, through September 30, 2010, and semiannual reporting periods ending March 31, 2010 and September 30, 2010. We also reviewed the internal quality control reviews performed by the DOI OIG.

In addition, we reviewed the DOI OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2009, through September 30, 2010. During the period, the DOI OIG contracted for the audit of its agency's Fiscal Year 2008 and 2009 financial statements.

We conducted our review at the DOI OIG headquarters office in Washington, DC and visited the Herndon, Virginia office.

Reviewed Engagements Performed by the DOI OIG

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
ER-IN-BIA-0014-2009	11/10/2009	OIG's Independent Report on the "Office of National Drug Control Policy Performance Summary Report – BIA"
Q-IN-OST-0001-2009	11/18/2009	Independent Auditors' Report on the Tribal and Other Trust Fund Financial Statement Audit for Fiscal Year 2009 and Fiscal Year 2008
K-CX-NPS-0006-2009	11/24/2009	Westwind Contracting, Inc. Settlement Proposal for Termination for Convenience of the Government under Contract No. C5297080232, Hole in the Donut Remediation in Everglades, With the National Park Service
C-IN-MOA-0010-2008	12/16/2009	DOI's Accountability and Preservation of Museum Collections

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
R-GR-FWS-0002-2010	02/18/2010	U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Massachusetts, Department of Fish and Game, Division of Fisheries and Wildlife
C-IN-MMS-0007-2008	05/25/2010	Mineral Management Service: Royalty-in-Kind Program's Oil Volume Verification Process
R-GR-FWS-0003-2010	07/09/2010	U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Illinois, Department of Natural Resources
ER-IN-OSS-0009-2009	07/21/2010	Audit of the International Technical Assistance Program
VI-EV-VIS-0003-2009	09/08/2010	Monitoring of Capital Improvements Projects -- Virgin Islands; Port Authority -- Government of the Virgin Islands

Reviewed Monitoring Files of the DOI OIG for Contracted Engagements

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
X-IN-MOA-018-2009	11/16/2009	Independent Auditors' Report on the Financial Statements for Fiscal Years 2009 and 2008



**OFFICE OF
INSPECTOR GENERAL**

JUL 22 2011

Mr. Michael R. Esser
Assistant Inspector General for Audits
U.S. Office of Personnel Management
1900 E St. NW
Washington, DC 20415

Re: Response to Draft Report on the System Review of the U.S. Department of the Interior
Office of Inspector General

Dear Mr. Esser:

Thank you for the opportunity to comment on your draft report, presenting the results of your office's External Peer Review of the U.S. Department of the Interior Office of Inspector General, Office of Audits, Inspections, and Evaluations. We are pleased that your office issued an opinion that our system of quality control for the year ended September 30, 2010 has been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material aspects. We also appreciate the professionalism that was displayed by your team during the course of your review.

We are committed to maintaining high quality audits and the peer review process allows us an excellent opportunity to assess and improve our performance. We agree with the conditions and recommendations presented in your draft report. A memorandum transmitting the results of your review will be issued and actions will be taken to address the areas of audit risk assessment, sampling methodology, and report timeliness. We plan to revise both our policies and quality assurance review process and will emphasize the conditions noted in your draft report. We plan on having the new policies issued and our new quality assurance process in place by September 30, 2011.

If you have any questions concerning this response, please call me at 202-208-5512.

Sincerely,

Kimberly Elmore
Assistant Inspector General
for Audits, Inspections, and Evaluations



Office of Inspector General
Legal Services Corporation

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

December 15, 2011

Mark Jones
Executive Director
Council of the Inspectors General
on Integrity and Efficiency
1717 H Street, NW
Suite 825
Washington, DC 20006

Dear Mr. Jones:

Enclosed is the System Review Report of the Legal Services Corporation, Office of Inspector General. This peer review report was issued by the Corporation for Public Broadcasting, Office of Inspector General in September 2011.

This transmittal is to fulfill the requirement that final peer review reports be provided to the Chair, Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Sincerely,

Ronald D. Merryman
Assistant Inspector General for Audit

Enclosure

cc: Honorable Phyllis K. Fong
Chair, CIGIE

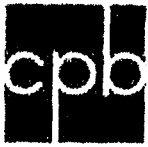
**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL**

**System Review Report
of the
Legal Services Corporation
Office of Inspector General Audit Organization**

REPORT NO. ECO1105-1107

September 30, 2011

**Kenneth A. Konz
Inspector General**



Corporation
for Public
Broadcasting

Office of Inspector General

September 30, 2011

Jeffrey E. Schanz
Inspector General
Legal Services Corporation
3333 K Street, N.W.
Washington, D.C. 20007

Dear Mr. Schanz:

We have reviewed the system of quality control for the audit organization of Legal Services Corporation (LSC) Office of the Inspector General (OIG) in effect for the year ended March 31, 2011. A system of quality control encompasses the OIG 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 the *Government Auditing Standards*. LSC OIG is responsible for designing a system of quality control and complying with it to provide LSC 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 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 LSC OIG personnel and obtained an understanding of the nature of the LSC OIG audit organization, and the design of the LSC 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 LSC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the LSC OIG's audit work products, 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 LSC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

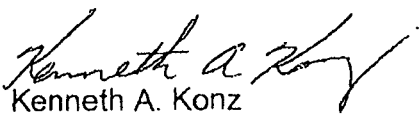
In performing our review, we obtained an understanding of the system of quality control for the LSC OIG's audit organization. In addition, we tested compliance with the LSC OIG's quality control policies and procedures to the extent we considered appropriate.

These tests covered the application of the LSC 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 of this report identifies the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of LSC OIG in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide LSC 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*. LSC OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated September 30, 2011 that sets forth observations that were 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 LSC 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 LSC 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 LSC OIG's monitoring of work performed by IPAs.


Kenneth A. Konz
Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the LSC OIG audit organization's system of quality control to the extent we considered appropriate using the "Guide for Conducting External Peer Reviews of the Audit Operations of Offices of Inspector General," issued by CIGIE, dated March 2009. These tests included a review of 2 of 8 audit reports issued during the period April 01, 2009 through March 31, 2011, and semiannual reporting periods ending September 30, 2009, March 31, 2010, September 30, 2010, and March 31, 2011. We also reviewed the independent monitoring of quality control for audits and attestations conducted by the Federal Trade Commission, OIG under a Memorandum of Understanding with the LSC OIG, dated October 5, 2009. We conducted our fieldwork during the period May 23, 2011 through June 24, 2011.

In addition, we reviewed the LSC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2011. During the period, LSC OIG contracted for two audits of its agency's Fiscal Year 2009 and 2010 financial statements.

Audit Reports Reviewed

We selected the following audits for review.

<u>Report Title</u>	<u>Report Date</u>	<u>Report Number</u>
Colorado Legal Services	1/18/11	Report No. AU-11-02
Capital Area Legal Services Corporation	9/27/10	Report No. AU-10-04

Reviewed Monitoring Files of LSC OIG for Contracted Engagements

<u>Report Title</u>	<u>Report Date</u>
LSC Financial Statements and Independent Auditor's Report Years Ended September 30, 2010 and 2009	1/07/11


UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



Memorandum

November 4, 2011

To: The Board

From: David P. Berry 
Inspector General

Subject: System Review of the National Labor Relations Board Office of Inspector General
Audit Organization

Every 3 years, the Office of Inspector General is required to undergo a review of its audit function's system of quality control. The purpose of the review is to determine if the system of quality control for the audit function is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The review is conducted by an Inspector General assigned by the Council of Inspectors General on Integrity and Efficiency. The results of the review are issued by the reviewing Inspector General in a written report that states a rating of *pass*, *pass with deficiencies*, or *fail*. The reviewing Inspector General may also issue a letter of comment with suggestions for policy or organizational improvements. *Government Auditing Standards* require that the report be provided to the Board and posted on the Office of Inspector General's portion of the Agency's Web site.

The attached document is a report on the Office of Inspector General's system of quality control that was issued on October 31, 2011, by the Inspector General of the National Credit Union Administration. The report states that we received a rating of pass without a letter of comment.

If you have any questions or would like additional information, I would be happy to discuss this report with you.

Attachment

cc: Acting General Counsel