



Office of Inspector General

Peer Review

System Review Report and
comment letter for the
*Audit Peer Review of the
Election Assistance
Commission's Office of
Inspector General*

July 2012

Federal Labor Relations Authority
1400 K Street, N.W. Suite 250, Washington, D.C. 20424



INSPECTOR GENERAL

UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424-0001

System Review Report

July 31, 2012

To: Curtis W. Crider, Inspector General
U.S. Election Assistance Commission

We have reviewed the system of quality control for the audit function of the U.S. Election Assistance Commission (EAC), Office of the Inspector General (OIG) in effect for the period October 1, 2010 through March 31, 2012. A system of quality control encompasses the EAC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards* (GAS). The elements of quality control are described in GAS. The EAC OIG is responsible for designing a system of quality control and complying with it to provide the EAC 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 EAC 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 EAC OIG personnel and obtained an understanding of the nature of the EAC OIG audit function, and the design of the EAC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with the EAC OIG's system of quality control. The audits selected represented a reasonable cross-section of the EAC OIG's audit organization, with an emphasis on higher-risk audits. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with EAC 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 EAC OIG's audit function. In addition, we tested compliance with the EAC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the EAC OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

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

Enclosure 1 to this report identifies the office of the EAC OIG that we visited and the audits reviewed by the FLRA OIG Team.

In our opinion, the system of quality control for the audit organization of EAC OIG in effect for the period October 1, 2010 through March 31, 2012, has been suitably designed and complied with to provide EAC OIG with reasonable assurance of performing and/or reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The EAC OIG has received a peer review rating of pass. As is customary, we have issued a letter dated July 31, 2012, that sets forth findings related to the design of and compliance with EAC OIG's system of quality control 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 EAC OIG's monitoring of audit engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of audit engagements performed by IPA is not subject to the requirements of the *Government Auditing Standards*. The purpose of our limited procedure was to determine whether EAC OIG had controls to ensure IPAs performed contracted audit work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on EAC OIG's monitoring of audit engagements performed by IPAs. We have issued a letter dated July 31, 2012 that sets forth comments on EAC OIG's monitoring of audit engagements performed by IPAs. These comments do not affect the opinion expressed in this report.



Dana Rooney-Fisher
Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the EAC OIG's audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 18 audit and attestation reports issued during the period October 1, 2010 through March 31, 2012, and semiannual reports for the reporting periods ending October 1, 2010 through March 31, 2012. We also reviewed the internal quality control reviews performed by EAC OIG.

In addition, we reviewed the EAC OIG's monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period of April 1, 2011 through March 31, 2012. During the period, EAC OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements. EAC OIG also contracted for certain other audits that were to be performed in accordance with Government Auditing Standards.

The FLRA OIG visited the EAC OIG in Washington, DC.

Reviewed Audit Performed by EAC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
E-HP-SP-0510	November 2010	Administration of Grant Funds Received Under the Help America Vote College Program by Project Vote Audit Report

Reviewed Monitoring Files of EAC OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
E-HP-PA-10-10	May 2011	Administration of Payments Received Under the Help America Vote Act by the Pennsylvania Bureau of Commission, Elections and Legislation
I-PA-EAC-02-11	October 2011	Evaluation of Compliance with the Requirements of the Federal Information Security Management Act Fiscal Year 2011
I-PA-EAC-01-11	November 2011	Independent Auditors' Report U.S. Election Assistance Commission Financial Statements for FY 2011 and FY 2010



INSPECTOR GENERAL

UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424-0001

July 31, 2012

Curtis W. Crider, Inspector General
U.S. Election Assistance Commission

We have reviewed the system of quality control for the audit organization of the U.S. Election Assistance Commission (EAC) Office of the Inspector General (OIG) in effect for the period October 1, 2010 through March 31, 2012, and have issued our final report thereon dated July 31, 2012, in which the EAC OIG received a rating of pass. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The findings described below were not considered to be of sufficient significance to affect the opinion expressed in that report.

Finding 1. Completing and Documenting Training of all Members of the Audit Team

We noted a need for a systematic method for identifying and monitoring EAC OIG employees' training requirements and their progress in completing mandatory training, as evidenced by the following examples.

Notification and Federal Employee Antidiscrimination and Retaliation Act (No Fear Act)

The No Fear Act of 2002, which became effective on October 1, 2003, requires agencies to provide training at least every 2 years to its employees, including managers, regarding the rights and remedies available under the employment discrimination and whistleblower protection laws. An EAC OIG employee completed the mandatory training but not within the required 2 years.

Our review also disclosed a similar condition regarding auditors on loan from other Federal agencies, which was identified as a finding in the prior peer review completed by the Federal Maritime Commission Office of Inspector General, dated June 10, 2009. Specifically, we noted that the EAC OIG utilized the services of another Federal Office of Inspector General in performing an independent referencing review of an EAC OIG audit. The EAC OIG was not able to produce evidence that the independent referencer had met continuing professional education (CPE) requirements as specified by Government Auditing Standards (GAS). Additionally, we found there was no written agreement detailing the scope of the services to be provided and related requirements, such as a provision that the reviewer has satisfied CPE requirements.

Recommendation 1A – The EAC OIG should implement a tracking system to ensure all EAC OIG employees complete mandatory training and within the time period required. Further, the EAC OIG should implement controls to ensure that all auditors who perform work for the EAC

OIG (including auditors on detail or loan), have satisfied continuing professional education requirements, and that documentation evidencing completion of training is available for review.

Recommendation 1B - When utilizing staff from other Federal OIGs to assist on audit engagements in accordance with generally accepted government auditing standards (GAGAS), the EAC OIG should document terms of the agreement in writing with a memorandum of understanding (MOU). The MOU should contain a provision to ensure staff have met CPE requirements.

EAC OIG Response

The OIG concurs with both recommendations. The OIG will establish a tracking system to ensure that all EAC OIG employees complete mandatory training within the time period required. The OIG will enter into memorandum of understanding with other Federal OIG's when utilizing non EAC OIG personnel on GAGAS assignments. As a part of that process, we will obtain documentation that the auditor on loan has met the continuing professional education requirements

FLRA OIG Analysis of EAC OIG Response

The FLRA OIG believes that the recommendations, when implemented, will address the weaknesses identified.

Finding 2. IPA Monitoring – Monitoring Oversight Tool Not Used

EAC OIG's policies and procedures require that, for audits performed by contractors, OIG complete the Project Quality Control Checklist – Monitoring Audits Performed by an Independent Public Accountant (IPA). During our review of EAC OIG's audit of the FY 2011 Financial Statement and the FY 2011 FISMA Evaluation, we noted that Project Quality Control Checklist was not completed or included in the workpapers.

Recommendation – The EAC OIG should ensure that its checklist is completed for each IPA performed audit.

EAC OIG Response

The OIG concurs with this recommendation. The Project Quality Control Checklist will be completed for all audits performed by contractors.

FLRA OIG Analysis of EAC OIG Response

The FLRA OIG believes that this recommendation, when implemented, will address the weakness identified.

Finding 3. IPA Monitoring – Evidence of Auditor Training Not Obtained

The EAC OIG obtained services from an IPA under a contract with a period of performance from beginning in fiscal year (FY) 2006 to FY 2011 including option periods. We noted that regarding the audit work performed by the IPA during the period covered by our review, the EAC OIG did not obtain documentation from the contractor evidencing that all members of the audit team had complied with Continuing Professional Education (CPE) requirements.

Recommendation – The EAC OIG should adhere to the GAGAS requirements for CPE Requirements for specialists. Specifically, the OIG should obtain CPE documentation from all staff of the IPA. If contract option years are exercised, the IPA should provide documentation of CPE's for each option year exercised.

EAC OIG Response

The OIG concurs with this recommendation. The EAC OIG will obtain, on annual basis, documentation from the IPA documenting CPE for staff assigned to EAC audits. If new employees are assigned to an EAC audit, CPE documentation will be obtained immediately.

FLRA OIG Analysis of EAC OIG Response

The FLRA OIG believes that this recommendation, when implemented, will address the weakness identified.

The FLRA OIG extends its appreciation for the support and cooperation the EAC OIG provided during our review.



Dana Rooney-Fisher
Inspector General



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1201 New York Ave. NW - Suite 300
Washington, DC 20005

Ms. Dana Rooney-Fisher
Inspector General
Federal Labor Relations Authority
1400 K Street, N.W.
Suite 250
Washington, DC 20424

July 18, 2012

Dear Ms. Rooney-Fisher:

Thank you for the opportunity to respond to your July 11, 2012 draft letter of comment on the external peer review of the U.S. Election Assistance Commission (EAC), Office of Inspector General (OIG) audit function. We agree with your conclusion that our system of quality control was suitably designed and provided us with reasonable assurance of performing and reporting audit results in conformity with applicable professional standards. We are pleased to receive a peer review rating of *pass*.

The draft letter of comment discusses four issues that you determined were not considered to be of sufficient significance to affect our peer review rating. We concur with all four recommendations in the draft letter and provide the following responses.

Recommendation 1A – The EAC OIG should implement a tracking system to ensure all EAC OIG employees complete mandatory training and within the time period required. Further, the EAC OIG should implement controls to ensure that all auditors who perform work for the EAC OIG (including auditors on detail or loan), have satisfied continuing professional education requirements, and that documentation evidencing completion of training is available for review.

Recommendation 1B - When utilizing staff from other Federal OIGs to assist on audit engagements in accordance with generally accepted government auditing standards (GAGAS), the EAC OIG should document terms of the agreement in writing with a memorandum of understanding (MOU). The MOU should contain a provision to ensure staff have met CPE requirements.

EAC OIG Response

The OIG concurs with both recommendations. The OIG will establish a tracking system to ensure that all EAC OIG employees complete mandatory training within the time period required. The OIG will enter into memorandum of understanding with other Federal OIG's when utilizing non EAC OIG personnel on GAGAS assignments. As a part of that process, we will obtain documentation that the auditor on loan has met the continuing professional education requirements.

Recommendation – The EAC OIG should ensure that its checklist is completed for each IPA performed audit.

EAC OIG Response

The OIG concurs with this recommendation. The Project Quality Control Checklist will be completed for all audits performed by contractors.

Recommendation – The EAC OIG should adhere to the GAGAS requirements for CPE Requirements for specialists. Specifically, the OIG should obtain CPE documentation from all staff of the IPA. If contract option years are exercised, the IPA should provide documentation of CPE’s for each option year exercised.

EAC OIG Response

The OIG concurs with this recommendation. The EAC OIG will obtain, on annual basis, documentation from the IPA documenting CPE for staff assigned to EAC audits. If new employees are assigned to an EAC audit, CPE documentation will be obtained immediately.

We are committed to maintaining an effective system of quality controls and to working continuously to improve our operations. Further, we appreciate the professional manner in which you conducted the review and your willingness to share best practices between our organizations. If you have any questions or comments relating to our response to the draft letter, please contact me at (202) 566-3125.

Sincerely,



Curtis W. Crider
Inspector General

CONTACTING THE OFFICE OF INSPECTOR GENERAL

IF YOU BELIEVE AN ACTIVITY IS WASTEFUL,
FRAUDULENT, OR ABUSIVE OF FEDERAL FUNDS,
CONTACT THE:

HOTLINE (800)331-3572
[HTTP://WWW.FLRA.GOV/OIG-HOTLINE](http://www.flra.gov/oig-hotline)

EMAIL: OIGMAIL@FLRA.GOV
CALL: (202)218-7970
FAX: (202)343-1072
WRITE TO: 1400 K Street, N.W. Suite 250,
Washington, D.C. 20424

The complainant may remain confidential; allow their name to be used; or anonymous. If the complainant chooses to remain anonymous, FLRA OIG cannot obtain additional information on the allegation, and also cannot inform the complainant as to what action FLRA OIG has taken on the complaint. Confidential status allows further communication between FLRA OIG and the complainant after the original complaint is received. The identity of complainants is protected under the provisions of the Whistleblower Protection Act of 1989 and the Inspector General Act of 1978, as amended. To learn more about the FLRA OIG, visit our Website at <http://www.flra.gov/oig>



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