



**FEDERAL MARITIME COMMISSION**

800 North Capitol Street, N.W.  
Washington, DC 20573

June 10, 2009

*Office of Inspector General*

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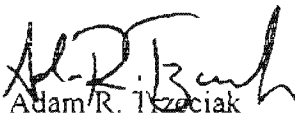
Mr. Curtis W. Crider  
Inspector General  
U.S. Election Assistance Commission  
1225 New York Ave., NW, Suite 1100  
Washington, DC 20005

Subject: System Review Report on the U.S. Election Assistance Commission Office of  
Inspector General Audit Organization

Dear Mr. Crider:

Attached is the final System Review Report of the U.S. Election Assistance Commission's Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines.

We agree with your proposed corrective action to the recommendations. Your response to the report is included in its entirety after the "Letter of Comment." We thank you and your staff for your assistance and cooperation during the peer review.

  
Adam R. Tzociak  
Inspector General

Enclosures (2)



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### System Review Report

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

We have reviewed the system of quality control for the audit function of U.S. Election Assistance Commission (EAC) Office of Inspector General (OIG) in effect for the year ended March 31, 2009. A system of quality control encompasses EAC 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 EAC OIG is responsible for designing a system of quality control and complying with it to provide 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 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 function, with 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 I** to this report identifies the office of the EAC OIG that we visited and the audits reviewed.

In our opinion, the system of quality control for the audit function of EAC OIG in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide EAC 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*. EAC OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated June 10, 2009, that sets forth the 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 PCIE and ECIE related to EAC OIG's monitoring of audit work performed by Independent Public Accountants (IPA) under contract. It should be noted that monitoring of audit work performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedure was to determine whether EAC 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 EAC OIG's monitoring of work performed by IPAs. We made certain comments related to EAC OIG's monitoring of work performed by IPAs that are included in the above referenced letter dated June 10, 2009.

  
Adam R. Trzeciak  
Inspector General

Enclosure 1

## SCOPE AND METHODOLOGY (Enclosure 1)

### Scope and Methodology

We tested compliance with the EAC OIG's systems of quality control to the extent we considered appropriate. These tests included a review of three of 12 audit reports issued during the period April 1, 2008 through March 31, 2009, and semi-annual reporting periods of April 1, 2008 through March 31, 2009. 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 during the period April 1, 2008 through March 31, 2009. During the period, EAC OIG contracted for the audit of its agency's Fiscal Year 2008 financial statements. EAC OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the EAC OIG in Washington, DC.

### Reviewed Audits Performed by EAC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
E-HP-NM-01-07	05/27/08	Administration of Payments Received under the Help American Vote Act by New Mexico Secretary of State

### Reviewed Monitoring Files of EAC OIG for Contracted Audits

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
I-PA-EAC-02-08	03/04/09	Report of U.S. Election Assistance Compliance with Section 522 of the 2005 Consolidated Appropriations Act
I-PA-EAC-01-08	11/17/08	Audit of the U.S. Election Assistance Commission's FY 2008 Financial Statements



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Mr. 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 Inspector General (OIG) in effect for the year ended March 31, 2009, and have issued our report thereon dated June 15, 2009, 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. Independence – Independence Statement not Completed**

The EAC OIG quality control policies and procedures require an “Independence Statement” for individuals charging time directly to the assignment. This assists in identifying personal and external impairments to independence and in documenting compliance with the *Government Auditing Standards* independence requirements. The “Independence Statement” was not completed for the audit of *Administration of Payments Received under the American Vote Act by the New Mexico Secretary of State*. This audit was performed by Department of Interior (DoI) OIG auditors on loan to EAC. We were unable to discuss impairment issues with members of the audit team because many team members retired in FY 2007 and FY 2008. However, EAC OIG workpapers contained an independence statement signed by the referencer from the National Endowment of Arts.

Recommendation – The OIG should adhere to its policy on independence and obtain “Independence Statements” from auditors performing work for EAC OIG.

Views of Responsible Official. Agree.

**Finding 2. Continuing Professional Education (CPE)**

The OIG's policies and procedures require auditors performing work, including planning, directing, performing fieldwork, or reporting on an audit or attestation engagement under the Standards, to complete 80 hours of CPE every 2 years. At least 24 of the 80 hours must be in subjects directly related to government auditing, the government auditing environment, or the specific or unique environment in which the audited entity operates. The auditors on loan from DoI did not have the required CPEs.

Recommendation – The OIG should ensure auditors on loan from other Federal agencies have the required CPEs when assisting in audits.

Views of Responsible Officials. Agree.

**Finding 3. Audit Documentation – Workpapers & Supervisory Review**

The OIG's policies and procedures require that workpapers include purpose, methodology (where appropriate), source and conclusion. The OIG's policies and procedures also require supervisory review during the course of the audit. The review of the program audit performed by the DoI auditors found that audit documentation did not always comply with both standards. The Inspector General acknowledged the absence of the work paper methods, sources and conclusions and the supervisory review of all documents. Instead, he focused on ensuring that documents supporting the final report's findings and recommendations were properly prepared. This was noted during our review.

Recommendation – OIG management should use its "Workpaper Review Checklist" to ensure the workpapers have the necessary support for audit documentation and supervisory review.

Views of Responsible Officials. Agree.

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 PCIE and ECIE related to EAC OIG's monitoring of audit work performed by Independent Public Accountants (IPA) under contract. The review team identified one finding:

**Finding 4. IPA Monitoring – Monitoring Oversight Tool Not Used**

EAC OIG's policies and procedures require that, for audits performed by contractors, OIG complete the *OIG Technical Checklist – Monitoring Audits Performed by Independent Public Accountants*. The review of EAC OIG's workpapers for the FY 2008 Financial Statement audit indicated that the Checklist was in the working papers but not completed. The Inspector General indicated that he received the working papers after the audit report was issued and, therefore, did not complete the Checklist. We also found even though the Checklist was not complete the Inspector General did monitor the contract through meetings held with the IPA, approval of invoices and emails to the IPA.

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

Views of Responsible Officials. Agree.



U.S. ELECTION ASSISTANCE COMMISSION  
Office of Inspector General

June 9, 2009

Mr. Adam R. Trzeciak  
Inspector General  
Federal Maritime Commission  
800 North Capital Street, N.W.  
Washington, DC 20573

Dear Mr. Trzeciak:

Thank you for the opportunity to respond to your May 28, 2009, 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 were very pleased with the outcome of your evaluation. Your review confirmed that our system of quality control has been suitably designed and implemented to provide reasonable assurance that we are conducting and reporting audits in conformance with applicable professional standards.

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.

**Finding 1. Independence – Independence Statement Not Completed**

Annually and for each assignment, auditors are required to sign a statement certifying that they are free from personal and external impairments to independence. The OIG also requires that our independent reference verifiers sign an independence statement. However, I agree that we should adhere to our policy on independence and obtain "Independence Statements" from auditors performing work for the EAC OIG.

As an additional control, the OIG requires staff to sign and submit bi-weekly individual timesheets that contain a certification attesting to their independence. These individual timesheets were in use during the peer review period.

**Finding 2. Continuing Professional Education (CPE)**

The OIG agrees with your recommendation that it should ensure auditors on loan from other federal agencies have the required CPEs when assisting in audits. All staff performing work under GAGAS, whether internal or on loan, are required to meet the 80/24 CPE requirements over a 2-year period in accordance with the standards.



For the period under review, the auditors on loan from another federal agency retired during the second year of the CPE cycle. As it was neither reasonable nor appropriate to expend additional funds to train the auditors, remaining scheduled courses were cancelled. However, it should be noted that one auditor completed the 40-hour Contracting Officer's Representative course designed to provide non-contracting personnel with knowledge of the federal acquisition process. This course directly relates to the government auditing environment, government environment, or the specific or unique environment in which the EAC operates.

**Finding 3. Audit Documentation – Workpapers & Supervisory Review**

The auditors assigned to an audit subject to the peer review retired prior to completion of all of the workpapers and the issuance of the final report. For the remainder of their tenure, the auditors were directed to focus on the completion of the documentation supporting the final report and recommendations. It would have been inappropriate for an OIG employee who did not work on the audit to complete the audit work. For that reason, workpaper and supervisory review efforts were focused on those documents supporting the final report and recommendations.

Subsequent to the issuance of the final report, the OIG developed a "Workpaper Review Checklist." Respectfully, the OIG concurs with your recommendation that it should use the checklist to ensure that the workpapers have the necessary support for audit documentation and supervisory review.

**Finding 4. IPA Monitoring – Monitoring Oversight Tool Not Used**

We concur with your recommendation that the OIG should ensure its checklist for monitoring audits performed by IPAs is completed. As discussed in the draft letter of comment, the checklist was maintained but incomplete. The subject audit resulted in a disclaimer of opinion and, therefore, we did not feel it was necessary to complete the checklist. However, the OIG reviewed the audit documentation supporting the disclaimer prior to report issuance to ensure the findings, conclusions, and recommendations met applicable standards.

We appreciate your work in conducting this external peer review and in making the recommendations contained in the draft letter of comment. 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