

System Review Report

September 24, 2013

David L. Hunt
Inspector General
Federal Communication Commission
445 12th Street, SW
Washington D.C. 20554

We have reviewed the system of quality control for the audit organization of Federal Communication Commission (FCC) Office of Inspector General (OIG) in effect for the 15 month period ending March 31, 2013. A system of quality control encompasses the 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 OIG is responsible for designing a system of quality control and complying with it to provide the 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 OIG personnel and obtained an understanding of the nature of the OIG's audit organization, and the design of the 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 OIG's system of quality control. The engagements selected represented a reasonable cross-section of the OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with the 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 OIG's audit organization. In addition, we tested compliance with the OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the OIG's policies and procedures on selected engagements.

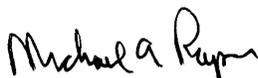
Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

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 engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the FCC OIG in effect for the 15 month period ending March 31, 2013, 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. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The FCC OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 24, 2013 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 FCC 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 FCC 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 FCC OIG's monitoring of work performed by IPAs.


Michael Raponi
Inspector General

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the FCC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 2 of 17 audit and attestation reports issued during the period January 1, 2012, through March 31, 2013, and semiannual reporting periods ending March 31, 2012, September 30, 2012 and March 31, 2013. We also reviewed the internal quality control reviews performed by the FCC OIG.

In addition, we reviewed the FCC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period January 1, 2012, through March 31, 2013. During the period, the FCC OIG contracted for the audit of its agency's Fiscal Year 2012 financial statements. FCC OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

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

Reviewed Engagements Performed by FCC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
10-AUD-11-01	12/10/12	Compliance Audit of Hampstead Hill Elementary School
10-AUD-04-02	3/30/12	Audit of USAC's Low Income Program Disbursement System

Reviewed Monitoring Files of FCC OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
12-AUD-05-16	11/14/12	FY 2012 Consolidated FCC Financial Statement Audit



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

September 24, 2013

Michael A. Raponi
Inspector General
U.S. Government Printing Office
Washington, DC 20507

Dear Mr. Raponi:

We have received your draft System Review Report and Letter of Comment summarizing the results of your review of our Office's system of quality control for the year ended March 31, 2013. We concur with the results of your review.

I would like to thank you for this peer review and to express my sincere appreciation for the experienced perspective and professionalism that the review team exhibited throughout their review. I look forward to receiving the final report on this matter and I look forward to working with you and your Office in the future.

Questions may be directed to Gerald Grahe, Assistant Inspector General for Audit, at (202)418-0474 or gerald.grahe@fcc.gov.

Sincerely,

A handwritten signature in cursive script, appearing to read "David L. Hunt".

DAVID L. HUNT
Inspector General



Letter of Comment

September 24, 2013

David L. Hunt
Inspector General
Federal Communication Commission
Office of Inspector General
445 12th Street, SW
Washington D.C. 20554

We have reviewed the system of quality control for the audit organization of the Federal Communications Commission (FCC) Office of Inspector General (OIG) in effect for the period January 1, 2012 through March 31, 2013, and have issued our final report dated September 24, 2013, in which the FCC 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: Audit Policy Manual Not Updated

We identified a number of GAGAS requirements that were not addressed in the audit manual. Those omitted GAGAS requirements were mostly in the areas of understanding and preparing audit steps related to internal controls (including information system controls) and fraud, illegal acts, and violations of provisions of contracts or grant agreements. The other missing GAGAS requirements were for policies and procedures related to assessing computer processed data, audit report recommendations, distributing audit reports, and restatement of previously issued financial statements. OIG management was in the process of revising their audit manual to incorporate changes reflected in the current GAGAS requirements. We did not identify issues related to any of these areas in our review of specific audits.

Recommendation - The FCC OIG should ensure that the revised audit manual incorporates the missing requirements.

Views of Responsible Official - Agree.

Finding 2: Audit Recommendations Not Tracked

On January 26, 2012, the then AIGA, emailed to the FCC Chief Financial Officer, 11 completed audit reports performed under contract with the OIG by an Independent Public Accountant. Those reports contained 20 recommendations for corrective action. However, we saw no evidence of further action after that email, including tracking those recommendations to ensure implementation. This was contrary to the FCC OIG's Audit Policy Manual Chapter 10, paragraph 9 which states that the OIG is responsible for performing follow-up effort, to ensure adequate implementation of report recommendations and to test the effectiveness of corrective actions taken by management. This condition was noted by the FCC OIG in its annual quality control review and the FCC OIG is developing measures to ensure those conditions do not occur again.

Recommendation - The FCC OIG should ensure that all recommendations are tracked and that the resolutions are documented.

Views of Responsible Official - Agree.

We appreciate the courtesies extended to the audit staff during our review. If you have any questions or comments about this report, please do not hesitate to contact Mr. Jeffrey C. Womack, Assistant Inspector General for Audits and Inspections at (202) 512-2009 or me at (202) 512-0039.



Michael A. Raponi
Inspector General
Government Printing Office