

SYSTEM REVIEW REPORT

June 12, 2015

The Honorable Arthur A. Elkins, Jr.
Inspector General
U.S. Environmental Protection Agency
Office of Inspector General
1200 Pennsylvania Avenue NW
Washington, DC 20460

Dear Mr. Elkins:

We have reviewed the U.S. Environmental Protection Agency (EPA) audit organization's system of quality control in effect for the fiscal year ended September 30, 2014. A system of quality control encompasses the EPA Office of Inspector General's (OIG) organizational structure as well as 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*. EPA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide EPA OIG with reasonable assurance the organization and its personnel are complying with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and EPA OIG's compliance therewith.

We conducted our review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed EPA OIG personnel and obtained an understanding of the nature of the EPA OIG audit organization and the design of EPA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with EPA OIG's system of quality control. The audits selected represented a reasonable cross-section of EPA OIG's audit organization, with emphasis on higher-risk audits. Before concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with EPA OIG management to discuss the results of our review. We believe our procedures provide a reasonable basis for our opinion.

In conducting our review, we obtained an understanding of the system of quality control for the EPA OIG's audit organization. In addition, we tested compliance with EPA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of EPA 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.

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. Projecting any evaluation of a system of quality control to future periods is subject to the risk the system of quality control may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate.

The Enclosures identify the EPA OIG office we visited and the audits we reviewed and contain your response to our formal draft.

In our opinion, the EPA OIG audit organization's system of quality control in effect for the fiscal year ended September 30, 2014 was suitably designed and complied with to provide EPA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. EPA OIG has received an External Peer Review rating of *pass*. As is customary, we have issued a letter that sets forth findings we did not consider 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 EPA OIG's monitoring of audits performed by Independent Public Accountants (IPA) under contract where the IPA served as the auditor. It should be noted that monitoring audits 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 EPA 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 EPA OIG's monitoring of work performed by IPAs.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a horizontal line extending from the end of the signature.

Patrick P. O'Carroll, Jr.
Inspector General

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the Environmental Protection Agency (EPA) Office of Inspector General (OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 9 of 66 audit reports issued from October 1, 2013 through September 30, 2014 and 1 report issued December 9, 2011, see Table 1. We also reviewed the internal quality control reviews performed by EPA OIG.

In addition, we reviewed EPA OIG's monitoring of one of the six audits performed by Independent Public Accountants (IPA) where the IPA served as the auditor during the period October 1, 2013 through September 30, 2014, see Table 2. During the period, EPA OIG contracted for certain engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the EPA OIG office in Washington, DC. We invited all EPA OIG staff within the Offices of Audit and Program Evaluation to participate in a staff questionnaire designed to determine the extent to which EPA OIG's quality control and assurance policies and procedures were effectively communicated to staff and obtain staff views about a number of factors related to the agency's adherence to those policies and procedures. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits. We determined the training data we received from the EPA OIG and used in this report were sufficiently reliable given our objective and intended use of the data.

Table 1: Reviewed 10 Audits and Attestation Engagements Performed by EPA OIG

| Report No. | Report Title | Date Issued |
|------------|---|-------------|
| 12-P-0113 | EPA Must Improve Oversight of State Enforcement | 12/09/2011 |
| 14-1-0039 | Audit of EPA's Fiscal 2013 and 2012 Consolidated Financial Statements | 12/16/2013 |
| 14-4-0040 | Dozier Technologies, Inc. Failed to Comply with Financial and Management Requirements of its Support Services Contract | 12/17/2013 |
| 14-B-0244 | EPA OIG's Compliance with EPA Passport Guidance | 05/01/2014 |
| 14-P-0037 | Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel | 12/11/2013 |
| 14-P-0191 | EPA Needs to Clarify Its Claim of "No Net Loss" of Wetlands | 04/16/2014 |
| 14-P-0272 | Weak Management of Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid | 05/30/2014 |
| 14-P-0349 | EPA Can Help Consumers Identify Household and Other Products with Safer Chemicals by Strengthening Its "Design for the Environment" Program | 09/09/2014 |
| 14-P-0359 | EPA's Alternative Asbestos Control Method Experiments Lacked Effective Oversight and Threatened Human Health | 09/25/2014 |
| 14-R-0130 | Unless California Air Resources Board Fully Complies with Laws and Regulations, Emission Reductions and Human Health Benefits are Unknown | 03/06/2014 |

Table 2: Reviewed 1 of 6 EPA OIG Monitoring Reports of Audits Conducted by IPAs

| Report No. | Report Title | Date Issued |
|------------------|--|-------------|
| 14-P-0181 | The U. S. Chemical Safety and Hazard Investigation Board Complies with the <i>Federal Information Security Management Act (Fiscal Year 2013)</i> | 04/10/2014 |

RESPONSE FROM THE U. S. ENVIRONMENTAL PROTECTION AGENCY'S OFFICE OF INSPECTOR GENERAL



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

MAY 12 2015

THE INSPECTOR GENERAL

The Honorable Patrick P. O'Carroll Jr.
Inspector General
Social Security Administration
6401 Security Boulevard, Suite 300
Baltimore, Maryland 21235

Dear Mr. O'Carroll:

We appreciate the opportunity to respond to the Social Security Administration Office of Inspector General's draft System Review Report on the U.S. Environmental Protection Agency's Office of Inspector General (EPA OIG) audit organization. We are pleased that your review team has concluded that the audit organization of the EPA OIG has earned a pass rating. We have no further comments on the System Review Report.

The EPA OIG is committed to maintaining an effective system of quality controls, and we appreciate the thorough and professional manner in which your team conducted this review. If you have any questions, please contact Mr. Kevin Christensen, Assistant Inspector General for Audit at (202) 566-1007; or Dr. Carolyn Copper, Assistant Inspector General for Program Evaluation, at (202) 566-0829.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.".

Arthur A. Elkins Jr.