



OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## Quality Control Review Report

# **McGladrey & Pullen, LLP Single Audit of Geothermal Heat Pump Consortium, Inc., for Year Ended December 31, 2003**

Report No. 2005-S-00006

June 28, 2005

**Report Contributors:**

Leah Nikaidoh  
Lisa McCowan



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

In a report that we had issued on September 30, 2003, related to an Environmental Protection Agency (EPA) grant issued to Geothermal Heat Pump Consortium, Inc., we identified significant questioned costs caused by an inadequate financial management system. We performed this quality assurance review to determine whether EPA could rely on the 2003 single audit report to accept costs claimed under its current grant to Geothermal.

## Background

Under Office of Management and Budget Circular A-133, entities that receive Federal funds of \$300,000 in a year are required to have a single audit conducted. For 2003, the Geothermal audit was conducted by McGladrey & Pullen, LLP. During 2003, Geothermal incurred \$554,517 in expenditures under an EPA grant.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

[www.epa.gov/oig/reports/2005/20050628-2005-S-00006.pdf](http://www.epa.gov/oig/reports/2005/20050628-2005-S-00006.pdf)

## McGladrey & Pullen, LLP Single Audit of Geothermal Heat Pump Consortium, Inc., for Year Ended December 31, 2003

### What We Found

McGladrey & Pullen's audit work met generally accepted government auditing standards and the requirements in Office of Management and Budget Circular A-133 and its related supplements. The firm's audit report also met the Office of Management and Budget Circular A-133 reporting requirements. We believe that the single auditor's report, which contained an unqualified opinion on the financial statements and compliance with Federal requirements, accurately reflects Geothermal's financial position and compliance. We have no recommendations for EPA.



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

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June 28, 2005

**MEMORANDUM**

SUBJECT: McGladrey & Pullen, LLP Single Audit of Geothermal Heat Pump Consortium, Inc., for Year Ended December 31, 2003  
Report No. 2005-S-00006

FROM: Michael A. Rickey /s/ *Michael A. Rickey*  
Director for Assistance Agreement Audits

TO: Richard Kuhlman, Director  
Grants Administration Division

This is our final report on the subject quality control review performed by the Office of Inspector General for the U.S. Environmental Protection Agency (EPA).

**Purpose**

The purpose of the quality control review of a single audit is to determine whether the audit was conducted in accordance with generally accepted government auditing standards; the audit and reporting requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; its related Compliance Supplement; and other applicable audit guidance.

**Background**

In an EPA Office of Inspector General audit report (2003-4-00120, dated September 30, 2003), we identified significant questioned costs at Geothermal Heat Pump Consortium, Inc., based on Geothermal having an inadequate financial management system. Under OMB Circular A-133, entities that receive Federal funds of \$300,000 in a given year are required to have a single audit conducted, and Subpart D enables us to conduct a quality control review of such a single audit. McGladrey & Pullen, LLP, conducted the single audit of Geothermal for the fiscal year ended December 31, 2003. During 2003, Geothermal incurred \$554,517 in expenditures under an EPA grant.

## Results of Review

McGladrey & Pullen's audit work met generally accepted government auditing standards, and the requirements in OMB Circular A-133 and its related supplements. The audit report met the OMB Circular A-133 reporting requirements. We believe that the single auditor's report accurately reflects Geothermal's financial position and compliance with Federal requirements. McGladrey & Pullen issued an unqualified opinion on Geothermal's financial statements and compliance with Federal requirements, and did not identify any problems in the areas cited in the review that had been conducted by the EPA Office of Inspector General.

## Recommendations

We have no recommendations for EPA.

## Action Required

There are no findings or recommendations that require EPA action. Therefore, this report is being closed upon issuance. If you or your staff has any questions regarding this report, please contact me at (312) 886-3037 or Leah Nikaidoh at (513) 487-2365.

## Scope and Methodology

We conducted a quality control review of McGladrey & Pullen's audit of Geothermal for the year ended December 31, 2003, and the resulting reporting package that was submitted to the Federal Audit Clearinghouse, dated September 8, 2004. We performed the review using the 1999 edition of the *Uniform Quality Control Guide for the A-133 Audits*. This guide applies to any single audit subject to OMB Circular A-133 and the approved checklist of the President's Council on Integrity and Efficiency for performing the quality control reviews. We conducted our review in May 2005 in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. We assessed the following areas:

- Qualification of auditors
- Independence
- Due professional care
- Planning and supervision
- Internal control and compliance testing
- Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Data Collection Form

We reviewed the audit documentation prepared by McGladrey & Pullen, and discussed the audit results with McGladrey & Pullen representatives. We also interviewed the EPA grant specialist responsible for grants awarded to Geothermal.

## ***Distribution***

### **EPA**

Director, Grants Administration Division  
Audit Followup Coordinator, Grants Administration Division  
Agency Audit Followup Coordinator  
Director, Office of Grants and Debarment  
Inspector General

### **External**

Partner, McGladrey & Pullen, LLP, Bethesda, Maryland