



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

In a September 21, 2005 report on Environmental Protection Agency (EPA) assistance agreements issued to the Natural Resources Defense Council, Inc. (NRDC), we identified significant questioned costs due to inadequate support for cost claimed. Because of these issues we performed a quality control review of the single audit to determine whether it met single audit requirements.

Background

Under Office of Management and Budget Circular A-133, entities that expend Federal funds of \$300,000 in a year are required to have a single audit conducted. For the year ended June 30, 2003, PricewaterhouseCoopers, LLP conducted the NRDC audit. NRDC incurred \$608,099 in expenditures under EPA assistance agreements during this fiscal period.

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/2006/20060525-2006-S-00002.pdf

Quality Control Review of PricewaterhouseCoopers, LLP Single Audit of Natural Resources Defense Council, Inc., for Year Ended June 30, 2003

What We Found

PricewaterhouseCoopers, LLP did not adequately test and document the auditee's compliance with Federal procurement regulations, and did not properly report the auditee's lack of compliance with indirect cost proposal requirements. These issues should have resulted in reported noncompliances in the single audit report. Because the Office of the Inspector General has already reported these matters to EPA for audit resolution, there will be no added benefit for PricewaterhouseCoopers, LLP to retract and reissue its single audit report.

We also identified two technical deficiencies. The single auditor did not correctly determine major and non-major programs, as required. Further, the single auditor did not adequately document its basis of materiality for compliance testing, in accordance with standards.

What We Recommend

We recommend that for future single audits, PricewaterhouseCoopers, LLP ensure that appropriate testing of procurements is performed and the results documented in its working papers. We also recommend that the single auditor sufficiently document its analysis and conclusions in future audits. For the technical deficiencies, we recommend that for future single audit work, the single auditor should ensure that appropriate steps are taken to address these deficiencies. The single auditor generally agreed with these recommendations.