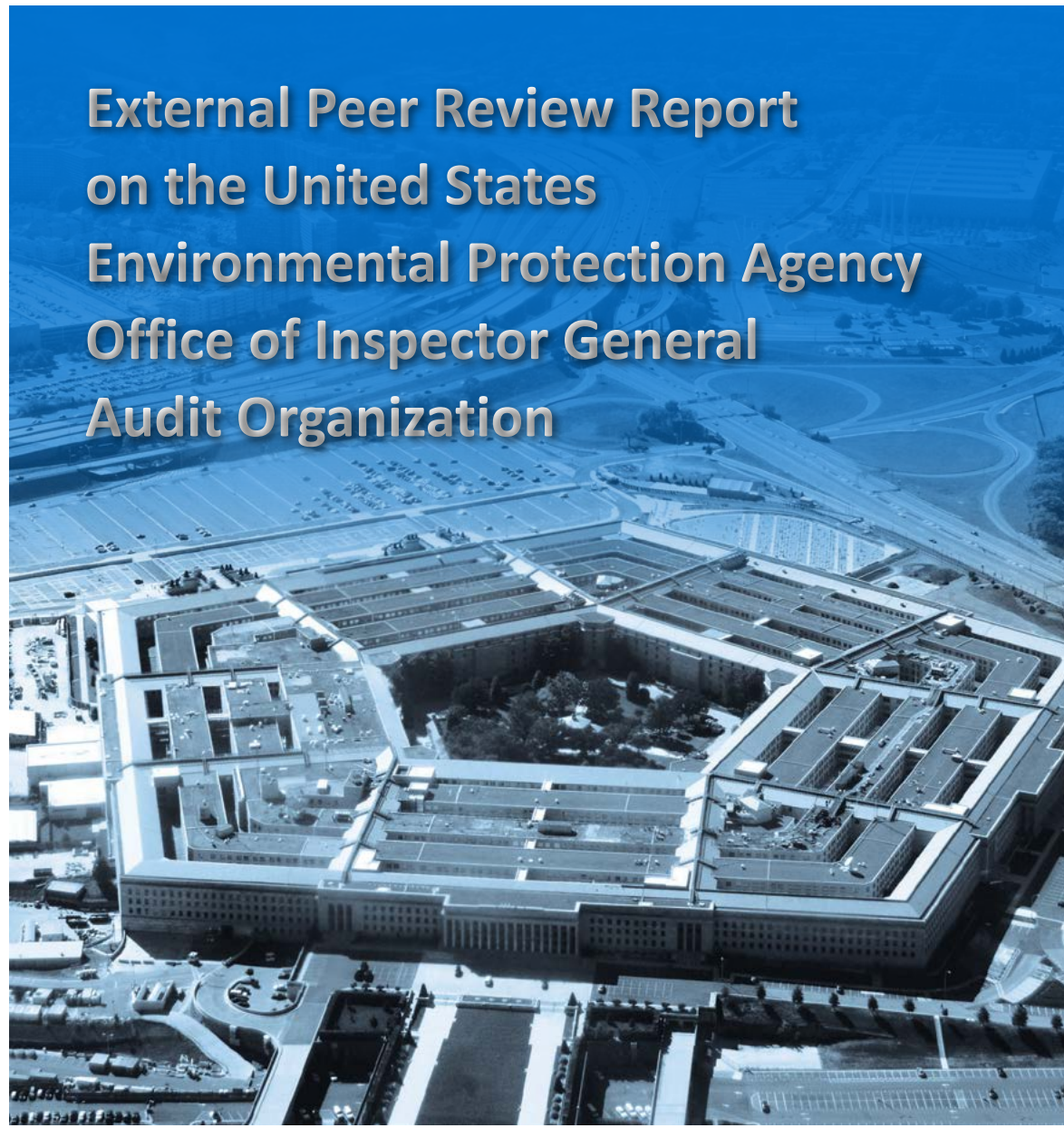




INSPECTOR GENERAL

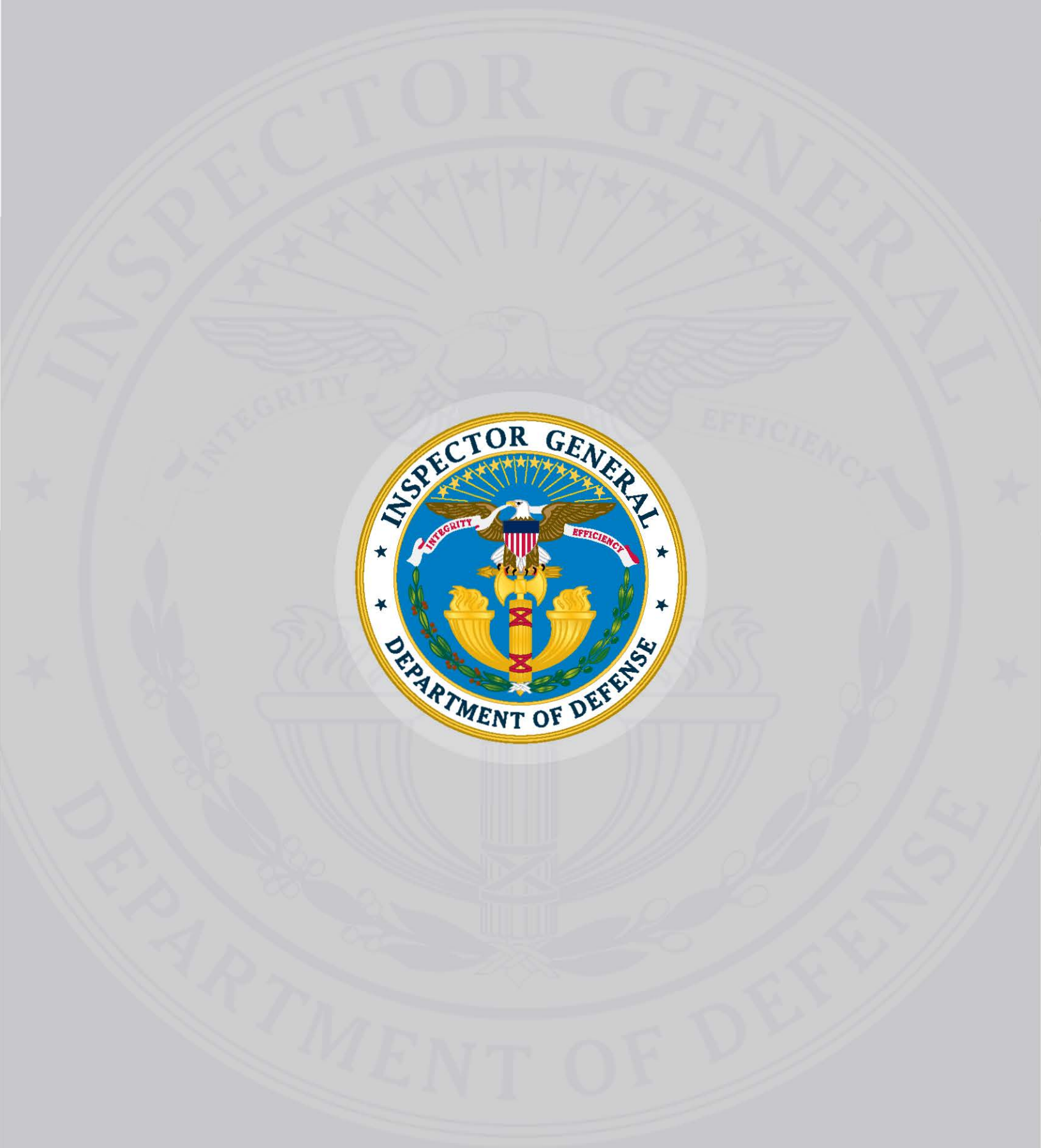
U.S. Department of Defense

JUNE 18, 2018



External Peer Review Report on the United States Environmental Protection Agency Office of Inspector General Audit Organization

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

JUN 18 2018

The Honorable Arthur A. Elkins, Jr., Inspector General
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW Mail Code: 2410T
Washington, DC 20460-0001

**SUBJECT: External Peer Review Report on the United States Environmental Protection Agency
Office of Inspector General Audit Organization**

Dear Mr. Elkins, Jr:

Attached is the external peer review report of the United States Environmental Protection Agency Office of Inspector General audit organization. This review was conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General.

We appreciate the cooperation and courtesies extended to our staff during the review.

A handwritten signature in blue ink, appearing to read "Glenn A. Fine", is positioned above the typed name.

Glenn A. Fine
Principal Deputy Inspector General
Performing the Duties of the Inspector General

Attachment:
As stated





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

JUN 18 2018

The Honorable Arthur A. Elkins, Jr., Inspector General
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., NW Mail Code: 2410T
Washington, DC 20460-0001

SUBJECT: System Review Report

Dear Mr. Elkins, Jr:

We have reviewed the system of quality control for the United States Environmental Protection Agency Office of Inspector General (EPA OIG) audit organization in effect for the year ended September 30, 2017. The system of quality control encompasses the EPA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conformance with the elements of quality control described in generally accepted government auditing standards. The EPA OIG is required to establish and maintain a system of quality control that is designed to provide the EPA OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. We are required to express an opinion on the design of the system of quality control and the EPA OIG's compliance therewith based on our review.

Our review was conducted in accordance with generally accepted government auditing standards and the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed EPA OIG personnel to understand the nature of the EPA OIG audit organization and the design of the 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 administrative files to test for conformity with professional standards and compliance with the EPA OIG's system of quality control. The audits selected represented a reasonable cross section of the EPA OIG audit organization, with emphasis on higher-risk audits. Before concluding our review, we reassessed the adequacy of the scope of the peer review procedures and met with EPA OIG management to discuss our preliminary review results. 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 EPA OIG audit organization. In addition, we tested compliance with the EPA OIG's quality control policies and procedures to the extent we considered appropriate. Those tests covered

the application of the 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; therefore, noncompliance 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 EPA OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the EPA OIG audit organization in effect for the year ended September 30, 2017, was suitably designed and complied with to provide the 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. The EPA OIG received an external peer review rating of pass. As is customary, we will issue a letter 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 the EPA OIG system of quality control to ensure adherence with generally accepted government auditing standards, we applied certain limited procedures in accordance with guidance established by CIGIE related to the EPA OIG's monitoring of engagements performed by Independent Public Accountants (IPAs) under contract where the IPA served as the principal auditor. Monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of generally accepted government auditing standards. The purpose of our limited procedures was to determine whether the 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 the EPA OIG's monitoring of work performed by IPAs.

In response to a draft of this report, the EPA Inspector General stated that he was pleased that the DoD OIG review team concluded that the EPA OIG audit organization earned a pass rating and had no further comments on this report. Enclosure 2 to this report includes the response by EPA OIG.



Glenn A. Fine
Principal Deputy Inspector General
Performing the Duties of the Inspector General

Enclosures:
As stated

Enclosure 1

Scope and Methodology

We tested compliance with the EPA OIG audit organization’s system of quality control to the extent we considered appropriate. The tests included a review of 7 of 57 audit reports issued from October 1, 2016, through September 30, 2017. In addition, we reviewed one audit report that the EPA OIG issued in FY 2016, to re-test the internal quality control review performed by the EPA OIG.

Our review included the EPA OIG’s monitoring of audits performed by IPAs where the IPA served as the auditor from October 1, 2016, through September 30, 2017. During the period, the EPA OIG contracted for the audit of its Chemical Safety and Hazard Investigation Board’s FYs 2016 and 2015 financial statements.

We visited the EPA OIG office located in Washington, D.C. We interviewed EPA OIG personnel in Washington, D.C., and sent questionnaires to personnel at EPA OIG offices in Boston, Massachusetts; Chicago, Illinois; Philadelphia, Pennsylvania; Research Triangle Park, North Carolina; San Francisco, California; Seattle, Washington; and Washington, D.C.

EPA OIG Performance Audits Reviewed

Report No.	Report Date	Report Title
17-P-0113	February 14, 2017	Risk for EPA’s Fiscal Year 2016 Purchase Card and Convenience Check Program Warrants an Audit
16-P-0035	November 5, 2015	CSB Needs Better Security Controls to Protect Critical Data Stored on Its Regional Servers
17-P-0380	September 12, 2017	EPA’s Alternative Dispute Resolution and Public Involvement Contract Needs Better Management
17-P-0124	March 13, 2017	EPA Has Adequate Controls to Manage Advice From Science and Research Federal Advisory Committees, but Transparency Could Be Improved
17-P-0004	October 20, 2016	Management Alert: Drinking Water Contamination in Flint, Michigan, Demonstrates a Need to Clarify EPA Authority to Issue Emergency Orders to Protect the Public
17-P-0186	April 26, 2017	Over \$774 Million of Puerto Rico State Revolving Funds at Risk

EPA OIG Financial Statement Audit Reviewed

Report No.	Report Date	Report Title
17-F-0046	November 15, 2016	EPA's Fiscal Years 2016 and 2015 Consolidated Financial Statements

EPA OIG Monitoring of Independent Public Accounting Work Reviewed

Report No.	Report Date	Report Title
17-F-0047	November 15, 2016	Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2016 and 2015 Financial Statements

Enclosure 2

United States Environmental Protection Agency Office of Inspector General Comments



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

THE INSPECTOR GENERAL

June 5, 2018

The Honorable Glenn A. Fine
Inspector General
U.S. Department of Defense
4800 Mark Center Drive
Alexandria, Virginia 22350-1500

Dear Mr. Fine:

We appreciate the opportunity to respond to the Department of Defense, Office of Inspector General (OIG), draft *System Review Report* on the U.S. Environmental Protection Agency's (EPA's) 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 [REDACTED]

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Elkins Jr.".

Arthur A. Elkins Jr.



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/.

For more information about DoD OIG reports or activities, please contact us:

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703.604.8324

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