



U.S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF INSPECTOR GENERAL  
1201 New York Ave. NW - Suite 300  
Washington, DC 20005

System Review Report

September 7, 2012

To Scott Wilson, Inspector General  
Federal Trade Commission

We have reviewed the system of quality control for the audit organization of the Federal Trade Commission's, Office of Inspector General (FTC OIG) in effect for the year ended March 31, 2012. A system of quality control encompasses FTC OIG's 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 FTC OIG is responsible for designing a system of quality control and complying with it to provide the FTC 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 FTC 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 FTC OIG personnel and obtained an understanding of the nature of the FTC OIG audit organization, and the design of the FTC's OIG 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 FTC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the FTC 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 FTC 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 FTC OIG's audit organization. In addition, we tested compliance with the FTC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the FTC 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 offices of the FTC OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of FTC OIG in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide FTC 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 FTC OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 7, 2012 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 FTC 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 FTC 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 FTC OIG's monitoring of work performed by IPAs.

We made certain comments related to FTC OIG's monitoring of engagements performed by IPAs that are included in the above referenced letter dated September 7, 2012.



Curtis w. Crider  
Inspector General

Enclosure

## **SCOPE AND METHODOLOGY (Enclosure 1)**

### **Scope and Methodology**

We tested compliance with the FTC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of one audit and attestation report issued during the period April 1, 2011, through March 31, 2012. We also reviewed the quality control review performed by the Legal Services Corporation, Office of Inspector General.

In addition, we reviewed the FTC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2012. During the period, the FTC OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements.

We visited the FTC OIG in Washington, D.C.

### **Reviewed Engagements Performed by FTC OIG**

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u>                  |
|-------------------|--------------------|--------------------------------------|
| AR-11-004         | December 26, 2011  | Audit Report on Warehouse Operations |

### **Reviewed Monitoring Files of FTC OIG for Contracted Engagements**

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u>  |
|-------------------|--------------------|--|
| AR-12-001         | November 15, 2011  | Audit Report on the Federal Trade Commission's Financial Statements for Fiscal Year 2011 |