



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



MAY 18 2012

Report Number: A-07-12-01109

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

Dear Mr. Elkins:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Report on the External Quality Control Review of the Audit Organization of the U.S. Environmental Protection Agency, Office of Inspector General*. We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency guidelines and discussed the review with you and members of your staff on April 5, 2012.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Gloria L. Jarmon, Deputy Inspector General for Audit Services, at (202) 619-3155 or through email at Gloria.Jarmon@oig.hhs.gov.

Sincerely,


Daniel R. Levinson
Inspector General

Enclosure

**REPORT ON THE EXTERNAL QUALITY CONTROL REVIEW
OF THE AUDIT ORGANIZATION OF THE
U.S. ENVIRONMENTAL PROTECTION AGENCY,
OFFICE OF INSPECTOR GENERAL**

We have reviewed the system of quality control for the audit organization of the U.S. Environmental Protection Agency (EPA), Office of Inspector General (OIG), in effect for the year ended September 30, 2011. A system of quality control encompasses EPA 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*. EPA OIG is responsible for designing a system of quality control and complying with it to provide EPA 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 EPA 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 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 engagements and administrative files to test for conformity with professional standards and compliance with EPA OIG's system of quality control. The engagements selected represented a reasonable cross section of EPA 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 EPA 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 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 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.

Our scope and methodology appear in the Appendix.

In our opinion, the system of quality control for the audit organization of EPA OIG in effect for the year ended September 30, 2011, 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. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. EPA OIG has received a peer review rating of *pass*.

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 CIGIE related to EPA 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 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.

SCOPE AND METHODOLOGY

We tested compliance with the U.S. 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 8 of 79 audit reports issued from October 1, 2010, through September 30, 2011, and semiannual reporting periods ended March 2011 and September 2011. We also reviewed two reports included in an internal quality control review performed by EPA OIG.

In addition, we reviewed EPA OIG's monitoring of one engagement performed by Independent Public Accountants (IPA) for which the IPA served as the principal auditor from October 1, 2010, through September 30, 2011. During the period, EPA OIG contracted for certain engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Washington, DC, office of EPA OIG. We sent questionnaires to selected staff members to determine the extent to which EPA OIG's quality control and assurance policies and procedures were effectively communicated to staff and to 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 the required continuing professional education credits and whether they collectively had the knowledge and skills needed to conduct audits.

REVIEWED ENGAGEMENTS PERFORMED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY, OFFICE OF INSPECTOR GENERAL

1. *Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements*, Report No. 11-1-0015, November 15, 2010.
2. *American Recovery and Reinvestment Act Site Visit of the Denver Street Storage Project, City of Astoria, Oregon*, Report No. 11-R-01072, March 22, 2011.
3. *EPA Should Update Its Fees Rule to Recover More Motor Vehicle and Engine Compliance Program Costs*, Report No. 11-P-0701, September 23, 2011.
4. *American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant—Phase II Improvements Project, City of Ottawa, Illinois*, Report No. 11-R-0700, September 23, 2011.
5. *Region 9 Technical and Computer Room Security Vulnerabilities Increase Risk to EPA's Network*, Report No. 11-P-0725, September 30, 2011.
6. *Vapor Intrusion Health Risks at Bannister Federal Complex Not a Concern for Buildings 50 and 52, Unknown for Other Buildings*, Report No. 11-P-0048, January 5, 2011.
7. *EPA's Gulf Coast Oil Spill Response Shows Need for Improved Documentation and Funding Practices*, Report No. 11-P-0527, August 25, 2011.

8. *EPA's Voluntary Chemical Evaluation Program Did Not Achieve Children's Health Protection Goals*, Report No. 11-P-0379, July 21, 2011.

**REVIEWED INTERNAL QUALITY CONTROL REVIEWS
PERFORMED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY,
OFFICE OF INSPECTOR GENERAL**

1. Internal quality assurance review of *Office of Inspector General Access to Agency Information and Personnel*, Report No. 09-P-0222, August 25, 2009.
2. Internal quality assurance review of *Results of Hotline Complaint Review of EPA's Antimicrobial Testing Program*, Report No. 09-P-0152, May 27, 2009.

REVIEWED MONITORING FILE FOR CONTRACTED ENGAGEMENT

Fiscal Year 2010 Federal Information Security Management Act Report: Status of EPA's Computer Security Program, Report No. 11-P-0017, November 16, 2010.