

Farm Credit Administration

Office of Inspector General

Peer Review

National Labor Relations Board

March 1, 2006



March 1, 2006

Ms. Jane E. Altenhofen
Inspector General
National Labor Relations Board
1099 14th Street N.W., Suite 9820
Washington, D.C. 20570

Dear Ms. Altenhofen:

This report documents the results of the National Labor Relations Board's Office of Inspector General (OIG) peer review conducted by the Farm Credit Administration's Office of Inspector General during February 2006. We reviewed the system of quality control for the audit function of the OIG for the year ended September 30, 2005.

A system of quality control includes the OIG's organizational structure, position responsibilities, policies, and procedures established to provide a reasonable assurance of conformance with generally accepted government auditing standards (GAGAS). The elements of quality control are described in GAGAS as promulgated by the Comptroller General of the United States. The design of the system and compliance with it in all material respects are the responsibility of the OIG. The objective of the peer review was to determine whether the design of and compliance with the internal quality control system was adequate to provide reasonable assurance that applicable auditing standards, policies, and procedures were met. Our responsibility is to express an opinion on the design of the system and the OIG's compliance with the system based on our review.

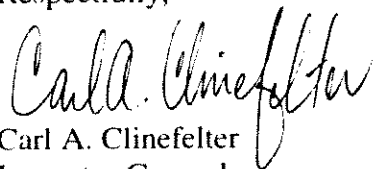
Our review was conducted in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. In performing our review, we obtained an understanding of the system of quality control for the OIG. In addition, we tested compliance with the OIG's quality control policies and procedures to the extent we considered appropriate. These tests included the application of the OIG's policies and procedures on selected audits. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Nevertheless, we believe the procedures we performed provide a reasonable basis for our opinion. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also,

projection of any evaluation of a system of quality control to future periods is subject to 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.

In our opinion, the system of quality control for the audit function of the OIG in effect for year ended September 30, 2005, has been designed in accordance with the quality standards established by the Comptroller General of the United States for a Federal Government audit organization and was complied with for the year ended to provide the OIG with reasonable assurance of conforming with applicable auditing standards, policies, and procedures.

The extensive preparation for this review by your staff greatly facilitated this review and we appreciate the courtesy and cooperation extended to us throughout this activity.

Respectfully,

A handwritten signature in cursive script that reads "Carl A. Clinefelter". The signature is written in dark ink and is positioned above the printed name and title.

Carl A. Clinefelter
Inspector General

Enclosure

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SCOPE AND METHODOLOGY

We reviewed 3 of 7 audit reports issued during the period from October 1, 2004 through September 30, 2005. We tested compliance with the OIG's system of quality control. We also reviewed audit policy and procedures, planning documents, training records, and a variety of related materials. Below is a table delineating the specific audit reports reviewed.

Report Number	Report Title	Report Date
OIG-F-9-05-01	Audit of NLRB Fiscal Year 2004 Financial Statements	December 2004
OIG-AMR-45-05-02	Monitoring Building Leases	March 2005
OIG-AMR-47-05-04	Non-Standard Work Hours Compensation	August 2005

ASSESSMENT TERMS

The peer review's consideration of the OIG's action in establishing and implementing an effective internal quality control system is expressed by the following terms:

- "Meets Standard" is used when we have concluded that a particular standard has been established and applied satisfactorily.
- "Meets Standard but Needs Improvement" is used when we have concluded that the establishment and/or application of a particular standard needs strengthening but that it complies in substance with Government Auditing Standards.
- "Does Not Meet Standard" is used if the establishment and/or application of a particular standard were found to be materially deficient.

We have included comments after each assessment to indicate the basis for our conclusion and, when improvements are deemed necessary, the nature of the weakness and possible corrective action.

AUDITING STANDARDS

General Standards

Independence: In all matters relating to the audit work, the audit organization and the individual auditors should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance.

Assessment: Meets Standard

We found no working relationship by OIG staff that might cause a personal impairment of independence nor did we identify any external impairment to the independence of the Inspector General or the OIG.

Competence: The staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required.

Assessment: Meets Standard

Audit staff has sufficient general government auditing qualifications. All are classified in the Auditor 511 series. The training records document training in relevant areas to meet educational requirements.

Professional Judgment: This standard requires auditors to exercise reasonable care and diligence and to observe the principles of serving the public interest and maintaining the highest degree of integrity, objectivity, and independence in applying professional judgment to all aspects of their work.

Assessment: Meets Standard

The OIG Audit Manual provides extensive guidance requiring staff to follow all applicable standards in conducting audits. Overall, reports are appropriately prepared and working papers provide sufficient support for validating findings and recommendations contained in reports.

Quality Control and Assurance: Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place and undergo an external quality control review.

Assessment: Meets Standard

Internal quality control procedures are well defined in the OIG Audit Manual. The application of quality control is reflected in the working papers reviewed.

Fieldwork Standards

Audit Planning: The work is adequately planned.

Assessment: Meets Standard

The OIG Audit Manual provides substantial guidance for the various elements of planning individual audits. The working papers reviewed during this peer review included written audit programs in which the objective, scope and methodology were well defined. Audit fieldwork was connected to the plan through adequate referencing.

Supervision: Staff is to be properly supervised.

Assessment: Meets Standard

Working papers reviewed demonstrated that auditors are provided appropriate supervision. The Assistant Inspector General for Audit oversees audits and has been with the OIG for over ten years.

Evidence and Documentation: Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditors' findings and conclusions. A record of the auditors' work should be retained in the form of working papers. Working

papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence to support the auditor's significant conclusions and judgments.

Assessment: Meets Standard

Working papers for the audits reviewed provided sufficient evidence to support audit conclusions and findings.

Internal Control: Auditors should obtain an understanding of internal controls that are relevant to the audit. When internal controls are significant to audit objectives, auditors should obtain sufficient evidence to support their judgments about those controls.

Assessment: Meets Standard

Internal controls were addressed in the audits reviewed. Related working papers and reports displayed an appropriate understanding of those controls by the auditors.

Legal and Regulatory Requirements: When laws, regulations, and other compliance requirements are significant to audit objectives, auditors should design the audit to provide reasonable assurance about compliance with them. In all performance audits, auditors should be alert to situations or transactions that could be indicative of illegal acts or abuse.

Assessment: Meets Standard

Audit planning includes reasonable assurance that applicable laws, regulations and other compliance requirements are adhered to.

Reporting Standards

Form: Auditors should prepare written audit reports communicating the results of each audit.

Assessment: Meets Standard

Written reports are prepared for each audit and reports were appropriately presented.

Timeliness: Auditors should appropriately issue the reports to make the information available for timely use by management, legislative officials, and other interested parties.

Assessment: Meets Standard

Reports are issued timely. Final reports are usually issued six weeks after exit conferences are held.

Report Contents: Auditors should report the audit objectives and the audit scope and methodology; significant audit finds and, where applicable, auditor's conclusions; recommendations for actions to correct problems areas and to improve operations; that the audit was made in accordance with GAGAS; all significant instances of non-compliance and all significant instances of abuse that were found during or in connection with the audit (in some circumstances, auditors should report illegal acts directly to parties external to the audited entity); the scope of their audit work on management controls and any significant weaknesses found during the audit, the view of responsible officials of the audited program concerning auditor findings, conclusions, and recommendations, particularly when management improvements in one area may be

applicable to elsewhere; refer significant issues needing further audit work to the auditor responsible for planning future audit work; and if certain information is prohibited from general disclosure, report the nature of the information omitted and the requirement that makes the omission necessary.

Assessment: Meets Standard

Audit reports reviewed complied with these standards.

Report Presentation: The report should be complete, accurate, objective, convincing, and as clear and concise as the subject permits.

Assessment: Meets Standard

Reports are appropriate for the audit objectives and written in clear, plain language.

Report Distribution: Written audit reports are to be submitted by the audit organization to the appropriate officials of the auditee and to the appropriate officials of the organizations requiring or arranging for the audits, including external funding organizations, unless legal restrictions prevent it. Copies of the reports should also be sent to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports. Unless restricted by law or regulation, copies should be made available for public inspection.

Assessment: Meets Standard

Report distribution is appropriate and they are available to the public upon request.

Audit Follow-up Process

The audit organization should have policies and procedures for tracking/monitoring agency officials' response, management decisions and final action on the report's recommendations.

Assessment: Meets Standard

OIG maintains an information system that captures information needed to monitor responses, management decisions, and final actions on reports' recommendations.