



U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
Washington, D.C. 20507

Office of
Inspector General

System Review Report

August 3, 2010

To David L. Hunt, Acting Inspector General
U.S. Federal Communications Commission

We have reviewed the system of quality control for the audit organization of the Federal Communications Commission (FCC) in effect for the year ended March 31, 2010. A system of quality control encompasses the FCC Office of Inspector General's (OIG) 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 FCC OIG is responsible for designing a system of quality control and complying with it to provide FCC 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 FCC 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 FCC OIG personnel and obtained an understanding of the nature of the FCC OIG audit organization, and the design of the FCC 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 the FCC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the FCC 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 FCC 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 FCC OIG's audit organization. In addition, we tested compliance with the FCC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the FCC 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 engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of FCC OIG in effect for the year ended March 31, 2010, has been suitably designed and complied with to provide the FCC 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*. FCC 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 the CIGIE related to FCC 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 FCC 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 FCC OIG's monitoring of work performed by IPAs.

A handwritten signature in black ink, appearing to read "Milton Mayo, Jr.", with a long horizontal flourish extending to the right.

Milton A. Mayo, Jr.
Acting Inspector General

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

Identify the peer review scope and methodology. For example:

We tested compliance with the FCC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 3 of 6 audit and attestation reports issued during the period April 1, 2009, through March 31, 2010, and semiannual reporting periods (April 1, 2009-September 30, 2009 and October 1, 2009-March 31, 2010). We also reviewed the internal quality control reviews performed by the FCC OIG.

In addition, we reviewed the FCC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2009, through March 31, 2010. During the period, FCC OIG contracted for the audit of its agency's Fiscal Year 2009 financial statements. FCC OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

Reviewed Engagements Performed by FCC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
07-AUD-08-11	2/04/2010	USF Contributor-Mabel Long Distance, Inc.
09-AUD-04-07	3/31/2010	USF-Contributor-TeleUno, Inc.

Reviewed Monitoring Files of (Reviewed OIG) for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
09-AUD-09-22	11/13/2010	Fiscal Year 2009 Financial Statement Audit (Includes FY 2009 FISMA Evaluation)

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20554



August 23, 2010

Joyce T. Willoughby
Acting Deputy Inspector General
U.S. Equal Employment Opportunity Commission
Washington, DC 20507

Dear Ms. Willoughby:

We have received your draft System Review Report summarizing the results of your review of our Office's system of quality control for the year ended March 31, 2010. We concur with the results of your review.

I would like to thank you for this peer review and to express my sincere appreciation for the experienced perspective and professionalism that the review team, Willie Eggleston and Deborah Maddux, exhibited throughout their review. I am especially appreciative of the feedback they provided to my staff during the course of the review and at our exit conference. I look forward to receiving the final report on this matter and I look forward to working with you and your Office in the future.

If you have any questions, please contact me at (202) 418-7890.

A handwritten signature in blue ink, which appears to read 'Thomas C. Cline', is placed on a light blue rectangular background.

Thomas C. Cline
Assistant Inspector General
For Policy and Planning