

**U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF POLICY ANALYSIS AND REVIEW**

**INDEPENDENT QUALITY REVIEW  
OF EPA OIG AUDIT OPERATIONS  
FOR THE PERIOD  
OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007**

**ORDER NO. EP08H002291  
CONTRACT NO. GS-23F-8156H**

**Prepared By:**

**Brown & Company CPAs, PLLC  
9200 Basil Court, Suite 400  
Largo, Maryland 20774  
December 16, 2008**

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**Review Report**

**Section A - Summary of Results**

**1. Background EPA OIG**

The Environmental Protection Agency (EPA) Office of Inspector General (OIG) is an independent office within EPA that helps the Agency protect the environment in a more efficient and cost effective manner. The EPA OIG consists of auditors, program analysts, investigators, and others with extensive expertise. Although they are a part of EPA, Congress provides the OIG with funding separate from the Agency, to ensure their independence. EPA OIG was created pursuant to the Inspector General Act of 1978.

The EPA OIG performs audits, evaluations, and investigations of EPA and its contractors, to promote economy and efficiency, and to prevent and detect fraud, waste, and abuse. They also provide public liaison (ombudsman) and hotline services to review public complaints about EPA programs and activities. The EPA OIG discusses issues with EPA management and others, including Congress, and provides detailed reports. Twice a year, EPA OIG provides a Semiannual Report to Congress that identifies significant EPA deficiencies and proposes corrective actions and profiles its accomplishments.

**2. Objective**

The objective was to conduct an Independent Quality Review of EPA OIG audit operations in accordance with the Government Accountability Office (GAO) *Government Auditing Standards*, 2007 Revision, and the *President's Council on Integrity and Efficiency (PCIE) Guide for Conducting External Peer Reviews* (April 2005). The review considers selected audit work performed by EPA OIG, Office of Audit, Congressional and Public Liaison, Mission Systems, and Program Evaluation, during the period for 1 October 2006 through 30 September 2007.

### 3. Scope

The scope was to review work conducted by the EPA OIG Regional Offices and its Headquarters Office. Perform detailed reviews of audit operations as identified in the audits selected for review; identify control vulnerabilities and problems with the *Government Auditing Standards* compliance. Select six (6) audits for review, from the period beginning 1 October 2006 and 1 April 2007 Semi Annual Reports to Congress. At least one audit was selected for each office discussed in the objective above (i.e., an Evaluation, Performance (Contracts and/or Grants), and Financial Audits). Comply with the PCIE requirement that no advance notification is to be provided for audits selected for review. Provide a written report detailing our findings, along with recommendations for corrective actions and suggested language for OIG directives for any systemic weaknesses, as appropriate, to OIG management.

### 4. Methodology

Brown & Company CPAs, PLLC (Brown & Company) reviewed the system of quality control for the audit function of the EPA OIG in effect for selected audit and non-audit reports from the period beginning 1 October 2006 and 1 April 2007 Semi Annual Reports to Congress, and for a selected quality assurance review. The objective of the review was to determine whether EPA OIG's internal quality control system was adequate and complied with in order to provide reasonable assurance that applicable auditing standards, policies, and procedures were met.

Brown & Company conducted the review in conformity with standards and guidelines established by PCIE and Generally Accepted Government Auditing Standards (GAGAS). We tested compliance with EPA OIG's system of quality control to the extent we considered appropriate. These tests included a review of six (6) reports judgmentally selected from an EPA OIG provided listing of audit and non-audit reports and quality assurance reviews issued during the above stated period. The six reports selected included four performance audits, one attestation engagement, and one financial audit.

### 5. Results of Review

Based on the review procedures, the system of quality control for the audit function of EPA OIG in effect during the period covered, was designed to meet the requirements of the quality control standards established by the PCIE and was complied with to provide EPA OIG with reasonable assurance of compliance with professional auditing standards, policies, and procedures. We concluded that the internal quality control system was adequate as designed and employees complied with it to reasonably assure that EPA OIG met applicable auditing standards, policies, and procedures.

We noted, however, conditions that warrant your attention though they did not impact our assessment. We describe these matters in the "Conditions and Recommendations" that follow.

## Section B - Details of Results

### 1. Quality Assurance Review Scope and Methodology

Brown & Company conducted the review from September 15, 2008 to December 15, 2008. We performed the review in accordance with Generally Accepted Government Auditing Standards (GAGAS), the President's Council on Integrity and Efficiency's (PCIE) Guide for Conducting External Quality Control Reviews of the Audit Operations of Office of Inspector General, and the Environmental Protection Agency (EPA) Office of Inspector General (OIG) Project Management Handbook. We tested compliance with the EPA OIG's system of quality control to the extent considered appropriate. We judgmentally selected, using PCIE Addendum 2, "External Peer Review Guide" criteria, six (6) reports from an EPA OIG provided listing of audit and non-audit reports published during the October 2006 and April 2007 Semi Annual Reports to Congress. The six (6) reports selected included four (4) performance audits, one (1) attestation engagement, and one (1) financial audit. We reviewed and examined selected information from the published reports to the supporting working papers, and where required, compared the supporting working papers to PCIE, EPA OIG, and AICPA audit inspection criteria applicable to EPA OIG policies and procedures.

In analyzing the EPA OIG's quality control system, we evaluated audit policies and procedures, and the following nine (9) PCIE elements for the selected reports reviewed: Independence; Professional Judgment; Competence; Audit Planning; Supervision; Evidence and Audit Documentation; Reports on Performance Audits; Nonaudit Services; and the Quality Control Process.

### 2. EPA OIG Reports Reviewed

We visited the EPA OIG office at Washington, D.C. and reviewed the following reports:

No.	Project Number	Report Type	Report Date	Report Title
1	2006-1271	Financial Audit	May 31, 2007	2006 FIFRA Financial Statement Audit.
<b>General Description of Audit/Project:</b> The project under review was the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) financial statement audit. The FIFRA required the Department of Agriculture to register all pesticides prior to their introduction in interstate commerce. The objective was to determine if the financial statements were fairly presented and determine compliance with applicable laws and regulations.				
2	2007-00600	Attestation Engagement	April 26, 2007	York Oil CERCLA Response Claims 3 and 4
<b>General Description of Audit/Project:</b> Investigation into two claims filed by York Oil for reimbursement on work ordered by EPA.				

3	2006-1413	Performance Audit	August 1, 2007	RCRA Referrals to Superfund
<b>General Description of Audit/Project:</b> To evaluate the EPA's progress in responding to three recommendations from its 2004 study of the Superfund program.				
4	2007-00335	Performance Audit	June 4, 2007	CSB Personnel Activities Hotline
<b>General Description of Audit/Project:</b> The objective was to review the process of hiring three individuals to supervisory positions with promotion potential to the GS-15 level. The positions fell under the U.S. Chemical Safety and Hazard Investigation Board's (CSB) Merit Promotion Plan, under which senior CSB officials rated and recommended candidates to select. The review was selected in response to an anonymous hotline allegation of unfair hiring practices at CSB.				
5	2006-00302	Performance Audit	May 3, 2007	Tribal Program Implementation Issues
<b>General Description of Audit/Project:</b> The audit objective was to highlight Tribes' successful management of environmental and natural resource program.				
6	2006-00442	Performance Audit	March 29, 2007	Database System Security Review
<b>General Description of Audit/Project:</b> The objective was to determine whether EPA has implemented adequate controls over the database to ensure the integrity and reliability of financial and program data.				

### 3. Results of Review

We determined that the EPA OIG audits methodology, policies and procedures adequately complied with the *Government Auditing Standards*. The EPA OIG quality control system adequately documented compliance with professional and auditing standards for: Independence; Professional Judgment; Competence; Audit Planning; Supervision; Evidence and Audit Documentation; Reports on Performance Audits; Nonaudit Services; and the Quality Control Process. The auditors documented, before the audit report was issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report.

We determined that EPA OIG adequately followed the quality control policies established in the *EPA OIG Project Management Handbook* for conducting audit, program evaluation, and related projects. The audit documentation adequately includes evidence of work performed in the major three phases: Preliminary Research, Field Work and Reporting.

We determined that EPA OIG adequately followed the standards and principles set forth in the *PCIE and Executive Council on Integrity and Efficiency Quality Standards for Investigations*, as applicable. The investigation adequately documented compliance with the guidelines applicable to the investigation efforts of criminal investigators working for the EPA OIG.

#### **4. Conditions and Recommendations**

During the review, we noted two conditions that were not significant, but should be brought to management's attention.

##### **Condition 1. Some working papers were not reviewed or approved**

###### **Condition:**

We noted that three of the six projects reviewed included working papers that were not reviewed or approved. Most of these working papers were administrative working papers which do not affect the conclusions of the projects. These working papers have the status as "In-Progress" instead of "Approved". If applied, the Level 2 approval would result in the working papers being locked to prevent any edits by the audit team.

###### **Recommendation:**

We recommend that the number of administrative working papers used in one project be limited, and that once working papers are created they are reviewed and approved. Also, we recommend that the status of the working papers should be "Approved" and therefore closed before the working paper project file is archived.

###### Summary of Management's Comments:

Management agreed with the recommendation. Management stated that the OIG Project Management Handbook will be revised to offer guidance regarding the use of electronic schedules contained in automated working paper software and the use/completion of administrative "matrix" schedules maintained in the working paper project files. Management stated that revision to the Project Management Handbook addressing the recommendation will be completed by June 1, 2009.

##### **Condition 2. Some working papers were not complete or updated**

###### **Condition:**

We noted that four of the six projects reviewed include working papers that were not complete or updated. Some administrative working papers did not have tables completed with current status of working papers or status of such items as the draft or final report. Some working papers from the prior audit were not updated for the current audit period. Also, some embedded documents were not assigned with working paper numbers and/or did not have purpose, source, or scope.

###### **Recommendation:**

We recommend that all working papers be completed and updated before they are archived.

###### Summary of Management's Comments:

Management agreed with the recommendation. Management stated that the OIG Project Management Handbook will be revised to offer guidance regarding the use of electronic

schedules contained in automated working paper software and the use/completion of administrative "matrix" schedules maintained in the working paper project files. Management stated that revision to the Project Management Handbook addressing the recommendation will be completed by June 1, 2009.

Sincerely,

*Brown & Company*

Largo, MD 20774

December 16, 2008



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APPENDIX: MANAGEMENT'S COMMENTS



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

OFFICE OF  
INSPECTOR GENERAL

December 22, 2008

Mr. Tyrone Brown  
Brown & Company CPAs, PLLC  
9200 Basil Court, Suite 400  
Largo, Maryland 20774

RE: Independent Quality Review of EPA OIG Audit Operations Order No. EP08H002291  
(Contract No. GS-23F-8156H)

Dear Mr. Brown:

Thank you for the opportunity to comment on the draft report reflecting the conditions and recommendations identified by Brown & Company CPAs, PLLC. Re: Comments on the Independent Quality Review of EPA OIG Audit Operations report dated December 18, 2008. We have reviewed the draft report and provide the following comment for recommendations:

**OIG Response to Recommendation 1 and 2.**

In response to the Independent Quality Review of EPA OIG Audit Operations quality assessment report, we agree with recommendations 1 and 2. The OIG Project Management Handbook (PMH) will be revised to offer guidance regarding the use of electronic schedules contained in automated working paper software and the use/completion of administrative "matrix" schedules maintained in the working paper project files. The revision to the PMH addressing recommendation 1 and 2 will be completed by June 1, 2009.

If you have any questions regarding the response, please contact Carolyn J. Hicks, Special Assistant at (202) 566-1238 or [hicks.carolynj@epa.gov](mailto:hicks.carolynj@epa.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Bill A. Roderick", written over a horizontal line.

Bill A. Roderick  
Deputy Inspector General