



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20005

April 15, 2021

The Honorable Sean W. O'Donnell
Inspector General
United States Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Mr. O'Donnell:

We have reviewed the system of quality control for the audit organization of the United States Environmental Protection Agency (EPA) Office of Inspector General (OIG) in effect for the year ended September 30, 2020. A system of quality control encompasses the EPA OIG's organizational structure and the policies adopted and procedures established that provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of the EPA OIG in effect for the year ended September 30, 2020, has been suitably designed and complied with to provide the EPA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The EPA OIG has received an External Peer Review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to the EPA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract whereby the IPA served as the auditor. It should be noted that monitoring of GAGAS 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 the EPA OIG had controls to ensure that IPAs performed contracted

work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on the EPA OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter dated April 15, 2021 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

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 the EPA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with the EPA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the EPA OIG's audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the EPA OIG audit organization. In addition, we tested compliance with the EPA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the EPA OIG's policies and procedures on selected GAGAS 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.

Prior to concluding the peer 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. Enclosure 1 to this report identifies the EPA OIG engagements that we reviewed.

Responsibilities and Limitation

The EPA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the EPA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the EPA OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

We appreciate the cooperation and assistance provided by your staff. The timeliness of responses to questions and access to requested documentation was extremely helpful in completing our review.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Russell George
Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with the EPA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of seven of 42 audit reports issued during the period October 1, 2019 through September 30, 2020, and one audit report issued in September 2019.¹ We also reviewed the internal quality assurance reviews performed by the EPA OIG during this same period.

Our review included the EPA OIG's monitoring of audits performed by IPAs where the IPA served as the auditor from October 1, 2019, through September 30, 2020. During the period, the EPA OIG contracted for the audit of its Chemical Safety and Hazard Investigation Board's Fiscal Years 2019 and 2018 financial statements.

Reviewed Engagements

We selected and reviewed the following audit reports (and workpapers) issued by the EPA OIG:

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
19-P-0318	09/25/2019	<i>EPA Must Improve Oversight of Notice to the Public on Drinking Water Risks to Better Protect Human Health</i>
20-F-0032	11/19/2019	<i>Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2019 and 2018 Financial Statements</i>
20-P-0066	01/03/2020	<i>EPA Can Improve Incident Readiness with Better Management of Homeland Security and Emergency Response Equipment</i>
20-P-0126	03/31/2020	<i>EPA Did Not Accurately Report Under the Grants Oversight and New Efficiency Act and Needs to Improve Timeliness of Expired Grant Closeouts</i>
20-P-0194	06/15/2020	<i>EPA's Office of the Chief Financial Officer Lacks Authority to Make Decisions on Employee-Debt Waiver Requests</i>
20-P-0236	07/30/2020	<i>EPA Needs to Improve Oversight of How States Implement Air Emissions Regulations for Municipal Solid Waste Landfills</i>
20-F-0244	08/10/2020	<i>EPA's Fiscal Years 2018 and 2017 Hazardous Waste Electronic Manifest System Fund Financial Statements</i>
20-P-0337	09/30/2020	<i>Data Used for Annual Toxics Release Inventory National Analysis Are 99 Percent Complete, but EPA Could Improve Certain Data Controls</i>

¹ We selected one report from outside of our scope period in order to include a report that the EPA OIG had reviewed as part of its quality assurance review process.

Enclosure 2 – EPA OIG Response



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

THE INSPECTOR GENERAL

April 9, 2021

The Honorable J. Russell George
U.S. Department of the Treasury
Treasury Inspector General for Tax Administration
1401 H Street NW
Washington, D.C. 20005

Dear Mr. George:

We appreciate the opportunity to respond to the Treasury Inspector General for Tax Administration draft *System Review Report* on the audit organization of the U.S. Environmental Protection Agency's Office of Inspector General. We are pleased that your review team has concluded that the audit organization of the EPA OIG has earned a passing rating. We have no further comments on the *System Review Report*.

The EPA OIG is committed to maintaining an effective system of quality controls, and we appreciate the thorough and professional manner in which your team conducted this review.

We will post this memorandum on our public website at www.epa.gov/oig.

Sincerely,

A handwritten signature in blue ink that reads "Sean W O'Donnell".

Sean W. O'Donnell