

**CORPORATION FOR PUBLIC BROADCASTING
OFFICE OF INSPECTOR GENERAL**

**System Review Report
of the
Legal Services Corporation
Office of Inspector General Audit Organization**

REPORT NO. ECO1105-1107

September 30, 2011

**Kenneth A. Konz
Inspector General**



Corporation
for Public
Broadcasting

Office of Inspector General

September 30, 2011

Jeffrey E. Schanz
Inspector General
Legal Services Corporation
3333 K Street, N.W.
Washington, D.C. 20007

Dear Mr. Schanz:

We have reviewed the system of quality control for the audit organization of Legal Services Corporation (LSC) Office of the Inspector General (OIG) in effect for the year ended March 31, 2011. A system of quality control encompasses the 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 the *Government Auditing Standards*. LSC OIG is responsible for designing a system of quality control and complying with it to provide LSC 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 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 LSC OIG personnel and obtained an understanding of the nature of the LSC OIG audit organization, and the design of the LSC 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 LSC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the LSC OIG's audit work products, 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 LSC 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 LSC OIG's audit organization. In addition, we tested compliance with the LSC OIG's quality control policies and procedures to the extent we considered appropriate.

These tests covered the application of the LSC 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 of this report identifies the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of LSC OIG in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide LSC 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*. LSC OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated September 30, 2011 that sets forth observations that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 LSC 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 LSC 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 LSC OIG's monitoring of work performed by IPAs.


Kenneth A. Konz
Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the LSC OIG audit organization's system of quality control to the extent we considered appropriate using the "Guide for Conducting External Peer Reviews of the Audit Operations of Offices of Inspector General," issued by CIGIE, dated March 2009. These tests included a review of 2 of 8 audit reports issued during the period April 01, 2009 through March 31, 2011, and semiannual reporting periods ending September 30, 2009, March 31, 2010, September 30, 2010, and March 31, 2011. We also reviewed the independent monitoring of quality control for audits and attestations conducted by the Federal Trade Commission, OIG under a Memorandum of Understanding with the LSC OIG, dated October 5, 2009. We conducted our fieldwork during the period May 23, 2011 through June 24, 2011.

In addition, we reviewed the LSC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2011. During the period, LSC OIG contracted for two audits of its agency's Fiscal Year 2009 and 2010 financial statements.

Audit Reports Reviewed

We selected the following audits for review.

<u>Report Title</u>	<u>Report Date</u>	<u>Report Number</u>
Colorado Legal Services	1/18/11	Report No. AU-11-02
Capital Area Legal Services Corporation	9/27/10	Report No. AU-10-04

Reviewed Monitoring Files of LSC OIG for Contracted Engagements

<u>Report Title</u>	<u>Report Date</u>
LSC Financial Statements and Independent Auditor's Report Years Ended September 30, 2010 and 2009	1/07/11