



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

John F. Sopko
Special Inspector General

August 14, 2017

The Honorable Jeffrey Schanz
Inspector General
Legal Services Corporation
Office of Inspector General

SUBJECT: System Review Report on Legal Services Corporation, Office of Inspector General's Audit Organization

Dear Inspector General Schanz,

We have completed our external peer review of the Legal Services Corporation, Office of Inspector General, conducted in accordance with *Generally Accepted Government Auditing Standards* and the *Council of the Inspectors General on Integrity and Efficiency* guidance.

Attached is the final System Review Report. We have incorporated comments provided to us during a meeting with LSC-OIG management on July 6, 2017, and written comments received on July 27, 2017 into the System Review Report. We have reproduced your written comments in attachment 2.

Thank you and your staff for your cooperation during the conduct of this review.

Sincerely,

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

Attachments: System Review Report
Comments from the Legal Services Corporation, Office of Inspector General



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

John F. Sopko
Special Inspector General

SYSTEM REVIEW REPORT

Legal Services Corporation

Office of Inspector General

for the Year Ending March 31, 2017

August 14, 2017

Mr. Jeffrey Schanz, Inspector General
Legal Services Corporation
Office of Inspector General

Dear Inspector General Schanz,

We have reviewed the system of quality control for the Legal Services Corporation, Office of Inspector General (LSC-OIG), in effect for the year ended March 31, 2017. A system of quality control encompasses LSC-OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance that it conforms to *Generally Accepted Government Auditing Standards* (GAGAS). The element of quality control is described in *Government Auditing Standards 2011 Revision*. LSC-OIG is responsible for establishing and maintaining a system of quality control that is designed to provide LSC-OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and LSC-OIG's compliance with these standards based on our review.

We conducted our review in accordance with GAGAS and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) September 2014 *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. We interviewed OIG personnel, obtained an understanding of the nature of its audit organization, and determined if the controls in place were sufficient to assess the risks implicit in OIG's audit function. Based on our assessment, we reviewed documentation from select audits and administrative files to test for conformity with professional standards and compliance with OIG's system of quality control (see enclosure 1 for a list of audits we reviewed). The audits selected represent a cross-section of the OIG audit organization. Subsequent to concluding the peer review, we 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 audit organization. In addition, we tested compliance with its quality control policies and procedures to the extent we considered appropriate. These tests covered the application of LSC-OIG's policies and procedures on the audits we reviewed. 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. 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.

In our opinion, the system of quality control for the audit organization of LSC-OIG in effect for the year ended March 31, 2017, 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. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, and *fail*. LSC-OIG has received an external peer review rating of *pass*.

As is customary, we issued a letter dated July 14, 2017, that sets forth findings 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 GAGAS, we applied certain limited procedures in accordance with guidance established by CIGIE related to LSC-OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of GAGAS. The purpose of our limited procedures was to determine whether LSC-OIG had controls to ensure that the IPAs performed its work in accordance with professional standards. We found that LSC-OIG controls were sufficient for this purpose. However, we did not observe LSC-OIG monitoring of work performed by IPAs or the performance of the IPAs in conducting the contracted audits. Accordingly, we do not express an opinion on these matters.



John Sopko
Special Inspector General
for Afghanistan Reconstruction



Office of Inspector General
Legal Services Corporation

AUG 03 2017

Inspector General
Jeffrey F. Schanz

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July 27, 2017

The Honorable John Sopko
Inspector General
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For Afghanistan Reconstruction
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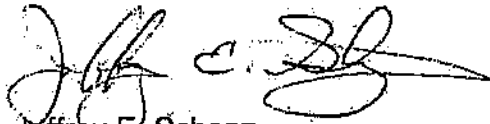
Dear Inspector General Sopko,

Thank you and your staff for conducting the peer review of the Legal Services Corporation, Office of Inspector General's audit program. We appreciate the team's comments and the professional and thoughtful manner in which they conducted themselves during the review.

I am pleased that your review resulted in the issuance of a "pass rating," indicating that the LSC OIG's quality control system was adequately designed and was functioning as prescribed and thus yielded reasonable assurance that we complied with Generally Accepted Government Auditing Standards (GAGAS). We are also mindful that any organization's policies, procedures, and practices can be improved, and appreciate your identifying areas for improvement in our operations. We have responded to your suggestions in the letter of comment and will take actions appropriate to address the issues. I appreciate the opportunity to comment on the draft peer review report and look forward to receiving the final report.

Again, I thank you and your team for your efforts and courtesies in conducting this peer review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff E. Schanz', with a long horizontal flourish extending to the right.

Jeffrey E. Schanz
Inspector General

Attachment

Response to the Letter of Comment

Finding: Scope and Methodology Section Lacked Specific Alignment to Audit Objectives

Your finding discusses the need to specifically align all of the internal control areas reviewed during the audit and identified in the scope and methodology appendix to specific discussions in the body of the report.

While we understand your finding, it has been the practice in writing our reports to minimize discussion on areas where grantee operations are working well and expand our reporting on significant weaknesses. Our auditees have never voiced a concern about our presentation of issues or that they were confused about findings raised in a report. While we strive to ensure consistency between the body of the report and the scope and methodology sections, we can always look for ways to further enhance our reports and make improvement where necessary.

Our goal is to have reports that are clear and concise as you suggest. We will therefore review past reports and discuss with the audit managers and staff the need to ensure alignment and consistency of issues identified during an audit. We will have a staff meeting to discuss the issue and implement changes as needed by the end of September 2017.

Observation: Independence Form Was Not Updated When Audit Manual Was Revised to Reflect 2011 GAGAS Revision.

Your finding discusses the need to update our Independence form to conform with the "conceptual framework" as described in the 2011 revision of GAGAS, specifically the examples on personal impairments.

We agree that we can update our form and include examples that are more up to date and conform to the 2011 revision of GAGAS. We can complete this task by the end of September 2017.