



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

System Review Report

October 31, 2019

The Honorable David L. Hunt
Inspector General
Office of Inspector General
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Mr. Hunt:

We have reviewed the system of quality control for the audit organization of the Federal Communications Commission Office of Inspector General (FCC OIG) in effect for the year ended March 31, 2019. A system of quality control encompasses the FCC OIG's 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 establishing and maintaining a system of quality control that is designed to provide the FCC 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 the FCC OIG's compliance therewith based on our review.

Our review was conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed the FCC OIG personnel and obtained an understanding of the nature of the FCC OIG's 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 audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the FCC OIG's system of quality control. The audits selected represented a reasonable cross section of the FCC OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with the FCC OIG's 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 audits. 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 FCC OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of the FCC OIG in effect for the year ended March 31, 2019, 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. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. The FCC OIG has received an external peer review rating of pass.

As is customary, we have issued a letter dated October 31, 2019, 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 Government Auditing Standards, we applied limited procedures in accordance with guidance established by CIGIE related to the FCC 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 is therefore not subject to the requirements of Government Auditing Standards. The purpose of our limited procedures was to determine whether the 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.

We made comments related to the FCC OIG's monitoring of audits performed by IPAs that are included in the above referenced letter dated October 31, 2019.

/s/

Hannibal "Mike" Ware
Inspector General
U.S. Small Business Administration

Enclosure

Scope and Methodology

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 5 of 10 audit reports issued during the period from April 1, 2018, through March 31, 2019. We also reviewed the internal quality control reviews performed by the FCC OIG.

In addition, we reviewed the FCC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period from April 1, 2016, through March 31, 2019. During the period, the FCC OIG contracted for the audit of its agency's fiscal year 2018 financial statements. FCC OIG also contracted for other audits that were to be performed in accordance with Government Auditing Standards.

We visited the FCC OIG office located in Washington, DC.

Table 1. Reviewed Audits Performed by FCC OIG

Report Number	Report Date	Report Title
15-AUD-02-01	August 21, 2018	USF High Cost Program Beneficiary Audit Found Costs That Were Not Necessary for Providing or Improving Telecommunications Services
17-AUD-05-02	July 12, 2018	Performance Audit of West Baton Rouge Parish Central Office
18-AUD-08-06	March 19, 2019	Performance Audit of East Central Independent School District

Table 2. Reviewed Monitoring Files of FCC OIG of Contracted (IPA) Audits

Report Number	Report Date	Report Title
18-AUD-07-05	November 15, 2018	Fiscal 2018 Combined Financial Statement Audit Report
15-AUD-09-11	July 18, 2018	Performance Audit of the Federal Communications Commission's Universal Service Fund, High Cost Program, Connect America Fund, Phase I Incremental Support