



Deborah J. Jeffrey
Inspector General

September 22, 2014

Dana Rooney-Fisher, Inspector General
Federal Labor Relations Authority
Office of Inspector General
1400 K Street, N.W. Suite 250 Washington, DC 20424

Subject: Modified Peer Review Report on the Federal Labor Relations Authority, Office of Inspector General Audit Organization

Dear Dana Rooney-Fisher:

Attached is the final Modified Peer Review Report of the Federal Labor Relations Authority, Office of Inspector General audit organization conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.

We appreciate the cooperation and courtesies extended to our staff during the review.


Deborah Jeffrey



September 22, 2014

Dana Rooney-Fisher
Inspector General
Federal Labor Relations Authority
Office of Inspector General
1400 K Street, N.W. Suite 250 Washington, DC 20424

Deborah J. Jeffrey
Inspector General

Dear Inspector General Rooney-Fisher:

We have reviewed established policies and procedures for the audit organization of Federal Labor Relations Authority (FLRA) Office of Inspector General (OIG) in effect at March 31, 2014. Established policies and procedures are one component of a system of quality control to provide the FLRA-OIG with reasonable assurance of conforming with applicable professional standards. The components of a system of quality control are described in the *Government Auditing Standards*. FLRA is responsible for establishing and maintaining a system of quality control that is designed to provide FLRA-OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. Our responsibility is to assess whether policies and procedures submitted for review were current and relevant.

Our review was conducted in accordance with guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) for assessing established audit policies and procedures and for reviewing the monitoring the activities of Independent Public Accountants (IPA). The FLRA-OIG did not perform audits from the date of the prior peer review, May 2011 through this peer review dated March 2014. While FLRA did not perform audits in accordance with *Government Auditing Standards* during the scope of the review, they have elected to perform other reviews in accordance with FLRA-OIG's responsibilities under the Inspector General Act of 1978.

In addition to reviewing established policies and procedures for the audit organization of FLRA-OIG, we applied certain limited procedures in accordance with guidance established by CIGIE related to FLRA-OIG's monitoring of audits under contract where the IPA served as the principal 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 *Government Auditing Standards*. The purpose of our limited procedures was to determine whether FLRA-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 FLRA-OIG's monitoring of work performed by IPAs.

During our review, we (1) obtained an understanding of the nature of the FLRA-OIG (2) assessed established audit policies and procedures and the FLRA-OIG's IPA monitoring process for the Financial Statement Audit ending September 30, 2013 (3) interviewed FLRA-OIG personnel and reviewed training certificates.

Based on our review, the established policies and procedures for the audit function as of March 31, 2014, were current and relevant. We have identified several areas where FLRA-OIG could improve the established policies and procedures but they were not material and are therefore not included in this report.

As is customary, we have issued a letter dated September 19, 2014, that sets forth findings that were not considered to be of sufficient significance to affect our conclusions on the established policies and procedures.

Very truly yours,



Deborah Jeffrey

Enclosures



Deborah J. Jeffrey
Inspector General

September 22, 2014

Ms. Dana Rooney-Fisher,
Inspector General
Federal Labor Relations Authority
Office of Inspector General
1400 K Street, N.W., Suite 250,
Washington, DC 20424

Dear Ms. Rooney-Fisher:

We have reviewed the established audit policies and procedures of the Federal Labor Relations Authority (FLRA) Office of Inspector General (OIG) in effect for the year ending March 31, 2014, including monitoring of work conducted by Independent Public Accountants (IPAs) under contract with FLRA OIG where the IPA served as the principal auditor. We issued our report thereon dated September 19, 2014, in which we determined that the OIG's policies and procedures for the audit function were current and relevant. That report should be read in conjunction with the comments in this letter. The findings described below were not considered to be of sufficient significance to impact the determination made on the established policies and procedures in that report.

Finding 1. OIG Quality Control Checklist Should Be Updated

Parts of the FLRA's Audits and Program Evaluations Handbook contain references to the outdated version of the *Government Auditing Standards* (July 2007). The following table shows the sections and related page numbers from the FLRA's Audits and Program Evaluations Handbook with outdated references:

Description	Policy Page
Checklist Quality Control (Performance Audits)	88
D. Attestation Standards	126
Checklist Project Quality Control for Examination and Review	145
Checklist Project Quality Control for Agreed-upon Procedures	154

The attestation standards and attestation checklists contain outdated references to Chapter 6 of the July 2007 edition of the *Government Auditing Standards*. The current revised

Government Auditing Standards (December 2011) contain attestation standards in Chapter 5.

FLRA OIG's performance audit quality control checklist also contains outdated references to the performance audit standards (Chapters 7 and 8) from the July 2007 edition of the *Government Auditing Standards*. The current *Government Auditing Standards* (December 2011) contain performance audit standards included in Chapters 6 and 7.

FLRA OIG incorrectly used the performance audit quality control checklist to conduct its quality control for FLRA's FY 2013 financial statement audit. FLRA OIG's quality control checklist was specifically designed for performance audits and most of the questions provide references to the performance audit chapters in the *Government Auditing Standards*, instead of the financial audit chapter from the *Government Auditing Standards*.

Recommendations – We recommend updating the Audits and Program Evaluations Handbook and checklists to reference the December 2011 *Government Audit Standards* and that the FLRA OIG use the appropriate quality control checklist for the financial statement audit.

Views of Responsible Office – The OIG concurs with the recommendation and will update the Audits and Program Evaluations handbook and checklists and reference the December 2011 *Government Audit Standards*.

Finding 2. OIG Transmittal Letter Was Not Included In The Official Report

FLRA OIG transmittal letter to the fiscal year (FY) 2013 financial statement audit was not attached to the official published (electronic version published on its website or hardcopy) audit report AR-14-01. According to the Government Accountability Office's Financial Audit Manual, Section 650, the OIG transmittal letter is used to highlight key audit results and express the degree of responsibility that the audit organization, such as an OIG, accepted with respect to the work of the Independent Public Accounting (IPA) firm. Because of the importance of the OIG transmittal letter, it should be presented in conjunction with the financial statement audit report issued by the IPA firm. Although the FLRA OIG submitted its transmittal letter with the IPA audit report to the FLRA Chairman, it should also be attached to the official published report so that the general public and external stakeholders clearly understand upfront key audit results and the degree of responsibility between FLRA OIG and the IPA firm.

In addition, FLRA OIG incorrectly referenced the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, in its transmittal letter for the FY2013 Financial Statement Audit, dated December 6, 2013. OMB Bulletin No. 07-04 was superseded by OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, on October 21, 2013, and became effective on the same day for FY 2013 financial statement audits.

Recommendations – We recommend that the FLRA OIG ensure its transmittal letter is attached to the official financial statement audit report distribution and included in the electronic version published on its website. We also recommend that the FLRA OIG ensures accuracy of the contents in its transmittal, including the reference to the OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

Views of Responsible Official –The OIG concurs with the recommendation and will post the transmittal on the website with the Financial Statement Audit. Additionally, the correct OMB Bulletin will be referenced in the transmittal.

Finding 3. IPA Written Monthly Progress Reports Were Not Obtained

FLRA OIG did not obtain the required written monthly progress reports from the IPA firm who performed the FY 2013 financial statement audit. Although FLRA OIG provided other evidence to demonstrate that it provided adequate oversight of the IPA firm's audit, the written monthly progress reports were required contractual deliverables as stated in the contract.

Recommendation – We recommend that the FLRA OIG obtain, review, and document the IPA firm's written monthly progress reports, as required by the contract.

Views of Responsible Office –The OIG concurs with the recommendation and has performed an administrative modification to the IPA contract to change the schedule of deliverables to require progress reports when requested.

Very truly yours,



Deborah Jeffrey