



OFFICE OF THE INSPECTOR GENERAL
US ELECTION ASSISTANCE COMMISSION
633 3RD STREET, NW, SUITE 200
WASHINGTON, DC 20001

Modified Peer Review Report

December 30, 2020

To Christopher Skinner, Inspector General
Federal Election Commission

At the request of the Federal Election Commission (FEC) Office of Inspector General (OIG), we reviewed established policies and procedures for the audit function of FEC OIG in effect at September 30, 2019. Established policies and procedures are one of the components of a system of quality control to provide FEC 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 (GAS)*¹. FEC OIG is responsible for establishing and maintaining policies and procedures for the audit function. Our responsibility is to assess whether policies and procedures submitted for review were current and consistent with applicable professional standards.

Our review was conducted in accordance with the 2014 version of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* for assessing established audit policies and procedures.

In addition to reviewing established policies and procedures for the audit function of FEC OIG, we applied certain limited procedures in accordance with guidance established by the CIGIE related to FEC OIG's monitoring of audits and attestation engagements, collectively referred to as "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 *Government Auditing Standards*. The purpose of our limited procedures was to determine whether FEC 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 FEC OIG's monitoring of work performed by IPAs.

During our review, we (1) obtained an understanding of the nature of the FEC OIG and (2) assessed established audit policies and procedures and FEC OIG OIG's IPA monitoring process. We also reviewed the project to oversee the IPA audit of the FEC 2018 financial statements.

¹ GAS are promulgated by the Comptroller General of the United States. For the period covered by this review, the 2011 Revision of GAS was in effect.

Based on our review, the established policies and procedures for the audit function as of September 30, 2019, were not current and thus were not fully consistent with applicable professional standards. We have identified several areas where the FEC OIG could improve the established policies and procedures.

Findings and Recommendations

Finding 1. FEC OIG Audit Manual Out of Date

The FEC OIG Audit Manual is out of date. We did not perform a detailed comparison of the Audit Manual to either the 2011 or 2018 GAGAS; however, a few examples of the requirements that were inconsistent with GAGAS include, but are not necessarily limited to:

- The Manual contains outdated terminology. For example, the policies regarding evidence use terms like significant, competent, and relevant, which defined evidence standards in old versions. They do not mention the basic concepts of sufficient, appropriate evidence, which has been the evidence standard at least since the issuance of the July 2007 Revision of GAGAS.
- The Audit Manual contains a chapter on considering the work of other auditors (Chapter 16) for overseeing IPA audits; however, it refers to and is based on an old standard promulgated by the American Institute of Certified Public Accountants (AICPA). The Manual specifically cites Statement on Auditing Standards (SAS) No. 65 (relying on the work of an internal auditor), which was superseded by SAS 128, effective for audits of fiscal year 2015 Federal financial statements.
- With regard to policies and procedures for ensuring that audit documentation identifies departures from GAGAS requirements, the manual does not specifically address the 3 presumptively mandatory requirements in GAGAS paragraphs 2.25 (2011) and 2.19 (2018 revision). Those paragraphs require the auditor to assess the significance of noncompliance, document the assessment along with the reasons, and determine the type of GAGAS compliance to report.
- The Audit Manual does not require a risk assessment at the individual audit level, nor does it require an analysis of significance. The OIG performs a risk assessment of FEC auditable entities to assist in identifying audit priorities and developing the annual audit plan. However, that risk assessment is not sufficient to meet paragraph 6.11 of the GAGAS 2011 Revision or paragraph 8.05 of the GAGAS 2018 Revision, each of which contains a presumptively mandatory requirement² to assess both audit risk and significance in the context of the audit objectives.
- The policies and procedures in the Audit Manual do not fully meet the requirements for periodic monitoring as prescribed by paragraph 3.94 (2011 GAGAS). Compliance with quality controls is documented only by completion of the prescribed audit checklist for each audit. The FEC OIG performs an analysis of internal controls for compliance with A-123, which includes assessment of the evidence that they comply with professional standards; however, the analysis was not sufficient to assess on-going compliance with current professional standards or other quality

² GAGAS paragraph 2.15.b (2011) and 2.02.b (2018) state, "Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances discussed in paragraphs 2.03, 2.04, and 2.08. GAGAS uses should to indicate a presumptively mandatory requirement."

control factors. For example, the procedures performed identified that the manual had not been updated since 2017; however, it did not reveal the substantive deficiencies in the Audit Manual policies and procedures discussed above or others that may have existed but were not detected within the limited procedures performed for the purpose of the peer review.

Each revision of GAGAS defines its own effective date. The 2011 revision that was applicable during the period under review was effective for financial audits and attestation engagements for periods that ended on or after December 15, 2012, and for performance audits that began on or after December 15, 2011. In the meantime, the Comptroller General of the United States promulgated a newer version of GAGAS, which became effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019.

Significant turnover, especially among top management officials in the FEC OIG and staff shortages prevented the FEC OIG from being able to focus sufficient resources on keeping the manual up to date.

Recommendation – The OIG should perform a comprehensive review of the Audit Manual and revise its policies and procedures to conform to the 2018 version of GAGAS.

Views of Responsible Official – We concur with the finding and plan to take corrective action in FY 2021. By way of background, personnel turnover and the extended vacancies (since 2017) of several senior OIG positions, including the IG, the Deputy IG, and senior auditor, posed resource challenges to the OIG in recent years, including updating guidance such as the OIG audit manual. As of the date of this report, the IG, Deputy IG, and senior auditor positions have recently been filled and the OIG is in the process of filling additional vacant positions. As such, having established sufficient stability in key positions to meet workload demands, the OIG anticipates updating guidance in FY 2021, to include the OIG audit manual and related policies and procedures.

The response from the FEC IG is included in its entirety as Attachment I. We have also issued a separate letter of comment to report findings on IPA monitoring activities.

Patricia L. Layfield

Patricia L. Layfield, Inspector General
U.S. Election Assistance Commission

Enclosure



Federal Election Commission
Office of the Inspector General

December 30, 2020

The Honorable Pat Layfield
Inspector General
Election Assistance Commission
Via Email: playfield@eac.gov

Subject: Modified Peer Review Report on the Federal Election Commission Office of Inspector General Audit Organization

Dear Inspector General Layfield,

This letter transmits the Federal Election Commission (FEC) Office of Inspector General (OIG) response to the Election Assistance Commission (EAC) finding and recommendation provided in the formal draft of the Modified Peer Review Report of the FEC OIG dated December 18, 2020. That report recommended that the FEC OIG should perform a comprehensive review of its audit manual and revise its policies and procedures to conform to the 2018 version of Generally Accepted Government Auditing Standards.

We concur with the finding and plan to take corrective action in FY 2021. By way of background, personnel turnover and the extended vacancies (since 2017) of several senior OIG positions, including the IG, the Deputy IG, and senior auditor, posed resource challenges to the OIG in recent years, including updating guidance such as the OIG audit manual. As of the date of this report, the IG, Deputy IG, and senior auditor positions have recently been filled and the OIG is in the process of filling additional vacant positions. As such, having established sufficient stability in key positions to meet workload demands, the OIG anticipates updating guidance in FY 2021, to include the OIG audit manual and related policies and procedures.

We appreciate the cooperation and courtesies extended to our staff during the review. If you have any questions regarding this letter, please contact me at (202) 694-1017. Thank you.

Sincerely,

Christopher Skinner
Inspector General



Federal Election Commission
Office of the Inspector General

MEMORANDUM

TO: The Commission

FROM: Christopher Skinner

SUBJECT: Federal Election Commission Office of Inspector General Modified Audit Peer Review Results

DATE: December 30, 2020

I am pleased to provide the results of the modified audit peer review of my office. The Election Assistance Commission (EAC) Office of the Inspector General (OIG) conducted the review in accordance with the 2014 version of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* for assessing established audit policies and procedures.

The purpose of the modified peer review is to ensure that a system of quality controls relating to the performance of audits is in place and operating effectively. The EAC OIG concluded that my office's audit policies and procedures warranted updates to ensure they were current and fully consistent with applicable professional standards. Specifically, the EAC OIG recommended that we update our audit manual to comport with recent changes in Generally Accepted Government Auditing Standards (GAGAS).

We concur with the EAC OIG's findings and plan to take corrective action in FY 2021. By way of background, personnel turnover and the extended vacancies (since 2017) of several senior OIG positions, including the IG, the Deputy IG, and senior auditor, posed resource challenges to the OIG in recent years, including updating guidance such as the OIG audit manual. As of the date of this memorandum, the IG, Deputy IG, and senior auditor positions have recently been filled and the OIG is in the process of filling additional vacant positions. As such, having established sufficient stability in key positions to meet workload demands, the OIG anticipates updating guidance in FY 2021, to include the OIG audit manual and related policies and procedures.

A copy of this report is being provided to the appropriate oversight committees, the Chair of the CIGIE, and the Chair of the CIGIE Audit Committee. The report will be posted on my office's web page within three business days of the date of this letter.

If you have any questions regarding this report, please contact me at (202) 694-1015. Thank you.

Attachment

cc: Alec Palmer, Staff Director/Chief Information Officer
John Quinlan, Chief Financial Officer
Lisa Stevenson, Acting General Counsel

