

UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General



Memorandum

November 4, 2011

To: The Board

From: David P. Berry 
Inspector General

Subject: System Review of the National Labor Relations Board Office of Inspector General
Audit Organization

Every 3 years, the Office of Inspector General is required to undergo a review of its audit function's system of quality control. The purpose of the review is to determine if the system of quality control for the audit function is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The review is conducted by an Inspector General assigned by the Council of Inspectors General on Integrity and Efficiency. The results of the review are issued by the reviewing Inspector General in a written report that states a rating of *pass*, *pass with deficiencies*, or *fail*. The reviewing Inspector General may also issue a letter of comment with suggestions for policy or organizational improvements. *Government Auditing Standards* require that the report be provided to the Board and posted on the Office of Inspector General's portion of the Agency's Web site.

The attached document is a report on the Office of Inspector General's system of quality control that was issued on October 31, 2011, by the Inspector General of the National Credit Union Administration. The report states that we received a rating of pass without a letter of comment.

If you have any questions or would like additional information, I would be happy to discuss this report with you.

Attachment

cc: Acting General Counsel



National Credit Union Administration

Office of Inspector General

October 31, 2011

David Berry
Inspector General
National Labor Relations Board
1099 14th Street, NW
Washington, DC 20570

Subject: System Review Report on the National Labor Relations Board (NLRB) Office of Inspector General Audit Organization

Dear Mr. Berry:

Attached is the final System Review Report of the NLRB Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your response to the draft report is included as Enclosure 2.

We thank you and your staff for your assistance and cooperation during the conduct of the review.

Regards,

A handwritten signature in black ink, appearing to read 'William A. DeSarno'.

William A. DeSarno
Inspector General
National Credit Union Administration

Attachment



National Credit Union Administration

System Review Report

Office of Inspector General

October 31, 2011

To David Berry, Inspector General
National Labor Relations Board

We have reviewed the system of quality control for the audit organization of the National Labor Relations Board (NLRB) in effect for the year ended September 30, 2011. A system of quality control encompasses the NLRB 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 NLRB OIG is responsible for designing a system of quality control and complying with it to provide the NLRB 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 the NLRB 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 NLRB OIG personnel and obtained an understanding of the nature of the NLRB OIG audit organization, and the design of the NLRB 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 NLRB OIG's system of quality control. The engagements selected represented a reasonable cross-section of the NLRB OIG's audit organization, 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 NLRB 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 NLRB OIG's audit organization. In addition, we tested compliance with the NLRB OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NLRB 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 to this report identifies the offices of the NLRB OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the NLRB OIG in effect for the year ended September 30, 2011, has been suitably designed and complied with to provide the NLRB 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*. The NLRB OIG has received a peer review rating of *pass*.

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 the NLRB 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 the NLRB 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 NLRB OIG's monitoring of work performed by IPAs.



William A. DeSarno
Inspector General
National Credit Union Administration

Enclosures

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the NLRB OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of two of two audit reports issued during the period October 1, 2010, through September 30, 2011. We also reviewed the internal quality control reviews performed by NLRB OIG.

In addition, we reviewed the NLRB OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2010, through September 30, 2011. During the period, the NLRB OIG contracted for the audit of its agency's Fiscal Year 2010 financial statements.

We visited the Washington, DC office of the NLRB OIG.

Reviewed Audit Engagements Performed by the NLRB OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-AMR-66	3/23/11	Travel Cards
OIG-AMR-64	4/7/11	Case Processing Costs

Reviewed Monitoring Files of the NLRB OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-F-15	12/15/10	Audit Report on the NLRB's Financial Statements for Fiscal Year 2010



United States Government
NATIONAL LABOR RELATIONS BOARD
OFFICE OF INSPECTOR GENERAL
Washington, DC 20570-0001

October 24, 2011

William DeSarno
Inspector General
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. DeSarno:

Thank you for your efforts and those of your staff in conducting the System Review of the National Labor Relations Board's Office of Inspector General Audit Organization. During this process, I was impressed with the expertise and professionalism of your staff. We have no comments on the draft report.

Sincerely,


David Berry
Inspector General