

**OPINION REPORT ON THE PEER REVIEW OF THE
FEDERAL TRADE COMMISSION'S
OFFICE OF THE INSPECTOR GENERAL**



Smithsonian Institution

OFFICE OF THE INSPECTOR GENERAL

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Opinion Report on the Peer Review of the Federal Trade Commission's
Office of the Inspector General

December 11, 2009

To John Seeba, Inspector General
The Federal Trade Commission

We have reviewed the system of quality control for the Federal Trade Commission's Office of the Inspector General (FTC OIG) in effect for the two-year period ended March 31, 2009. A system of quality control encompasses the FTC OIG's organizational structure and its policies and procedures that provide it with reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. The FTC OIG is responsible for designing a system of quality control and complying with it to provide the FTC 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 FTC OIG's compliance therewith based on our review.

We conducted our review 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 FTC OIG's personnel and obtained an understanding of the nature of the FTC OIG's audit organization, and the design of the FTC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessment, we selected engagements and administrative files to test for conformity with professional standards and compliance with the FTC OIG's system of quality control. The engagements we selected represented a reasonable cross-section of the FTC OIG's audit organization. Our Scope and Methodology on page 3 of this report identifies the engagements we reviewed. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with the FTC OIG's management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system 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 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 FTC OIG's system of quality control in effect for the two-year period ended March 31, 2009, has been suitably designed and complied with to provide the FTC 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*. We give the FTC OIG a peer review rating of *pass*.

In addition to reviewing its system of quality control, we applied certain limited procedures in accordance with guidance established by the CIGIE related to the FTC 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 FTC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. Our objective was not to express an opinion and, accordingly, we do not express an opinion, on the FTC OIG's monitoring of work performed by IPAs.

As is customary, we have issued a letter dated December 11, 2009 that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

I would like to thank you and Ms. Mary Harmison, for the cooperation extended during our review. If you have any questions, please contact me or Daniel R. Devlin, Assistant Inspector General for Audits, at 202.633.7050.


A. Sprightley Ryan
Inspector General

Scope and Methodology

We reviewed the Federal Trade Commission, Office of the Inspector General's (FTC OIG) system of quality control for its audit function in effect for the two-year period ended March 31, 2009. We performed the peer review between July and December 2009 in accordance with the CIGIE ***Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General (updated March 2009)***.

To obtain an understanding of the FTC OIG's quality control system, we reviewed its audit policies and procedures as documented in its ***Audit Manual***, June 2009 edition. We held numerous discussions with the FTC OIG Audit Manager as well as the Inspector General. In performing our work, we considered the results of the prior peer review of the FTC OIG¹ and followed up on the corrective actions the FTC OIG took in response to our recommendations. Because the FTC OIG does not have an internal quality assurance monitoring function, there were no internal quality assurance reviews available for our examination.

We tested compliance with the FTC OIG's system of quality control to the extent that we considered appropriate. We performed all fieldwork in Washington, D.C. The FTC OIG does not have regional or satellite offices. Our tests included a review of one audit report that cited compliance with GAGAS and one oversight review of the IPA conducting the annual FTC financial statement audit. The FTC OIG conducted the audit and the review during the period April 1, 2007 to March 31, 2009. The report numbers, issue dates, and titles are summarized in the following tables.

Reviewed Engagements Performed by the FTC OIG		
Report Number	Report Date	Report Title
AR 08-002	September 30, 2008	Review of the FTC Administration of Leave

Reviewed Monitoring Files of FTC OIG Contracted Engagements		
Report Number	Report Dates	Report Title
AR 09-001	November 14, 2008 February 26, 2009	FTC Financial Statement Audit for FY 2008 and Management Letter

The Independent Public Accounting (IPA) Firm of Dembo, Jones, Healy, Pennington, and Marshall, PC, conducted the audit of FTC's FY 2008 Financial Statements. As noted above, we reviewed the FTC OIG's oversight documentation.

¹ Office of the Inspector General, Smithsonian Institution, December 2007, *Opinion Report on the External Peer Review of the Audit Organization of the Office of the Inspector General of the Federal Trade Commission*.