



**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

March 19, 2010

SYSTEM REVIEW REPORT

Mr. Kenneth Bach
Acting Inspector General
Corporation for National and Community Service
1201 New York Avenue, N.W., Suite 830
Washington, DC 20525

We have reviewed the system of quality control for the audit organization of the Corporation for National and Community Service (CNCS) Office of Inspector General (OIG) in effect for the year ended September 30, 2009. A system of quality control encompasses CNCS 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*. CNCS OIG is responsible for designing a system of quality control and complying with it to provide CNCS 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 CNCS 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 CNCS OIG personnel and obtained an understanding of the nature of the CNCS OIG audit organization, and the design of the CNCS 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 CNCS OIG's system of quality control. The engagements selected represented a reasonable cross-section of the CNCS 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 CNCS 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 CNCS OIG's audit organization. In addition, we tested compliance with the CNCS OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the CNCS 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.

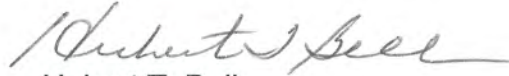
There are inherent limitations in the effectiveness of any system of quality control, and therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of 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 office of the CNCS OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of CNCS OIG in effect for the year ended September 30, 2009, has been suitably designed and complied with to provide CNCS 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*. CNCS 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 CNCS 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 CNCS 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 CNCS OIG's monitoring of work performed by IPAs.

An official draft report was provided to the CNCS Assistant Inspector General for Audit for comment. The CNCS Acting Inspector General had no comments on the report and his response is included as Enclosure 2.



Hubert T. Bell
Inspector General

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the CNCS OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 19 audit and attestation reports issued during the period October 1, 2008, through September 30, 2009. We also reviewed the internal quality control reviews performed by CNCS OIG.

In addition, we reviewed the CNCS OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2008, through September 30, 2009. During the period, CNCS OIG contracted for the audit of its agency's Fiscal Year 2008 financial statements. CNCS OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

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

Reviewed Engagements Performed by CNCS OIG

Report Number	Report Date	Report Title
09-06	12/12/08	Agreed-Upon Procedures for CNCS Grants Awarded to the Elvirita Lewis Forum
09-15	08/12/09	Audit of the Financial Management Survey Responses of New Grantees
09-17	08/05/09	Audit of the National Service Trust Fund Status Report for the Year Ended September 30, 2008

Reviewed Monitoring Files of CNCS OIG for Contracted Engagements

Report Number	Report Date	Report Title
09-01	11/14/08	Audit of the CNCS's Fiscal Year 2008 Financial Statements
09-02	11/14/08	Audit of the CNCS's Fiscal Year 2008 National Service Trust Schedules
09-11	06/04/09	Agreed-Upon Procedures for CNCS Grants Awarded to the Research Foundation of the City University of New York



Enclosure 2

OFFICE OF INSPECTOR GENERAL

March 17, 2010

The Honorable Hubert Bell
Inspector General
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Bell:

I want to thank you and your staff for their excellent work in conducting the recent External Quality Control Review of the Office of Inspector General Audit Section. I am pleased with the positive outcome of your peer review, which is crucial to maintaining credibility with our stakeholders.

We are all faced with limited resources in the Inspector General community, and I appreciate your lending your staff and its expertise to the completion of this important task. Both I and my audit staff found the review to be helpful and instructive and have no suggestions for changes to the draft report.

I was particularly pleased to undergo this review on my watch and look forward to receiving your final report, which will provide our stakeholders with assurance that our audit reports can be relied upon in their decision making. I also look forward to meeting you at an upcoming CIGIE meeting.

Very truly yours,



Kenneth Bach
Acting Inspector General