



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

July 5, 2018

TO: Chairman Joseph J. Simons
Commissioner Maureen K. Ohlhausen
Commissioner Noah Joshua Phillips
Commissioner Rohit Chopra
Commissioner Rebecca Kelly Slaughter

FROM Acting Inspector General

SUBJECT: Peer Review Report on the Federal Trade Commission Office of Inspector
General Audit Organization

I am pleased to provide the attached results of the most recent peer review of the Federal Trade Commission Office of Inspector General (OIG) audit organization, completed by the Federal Labor Relations Authority (FLRA) OIG. Our audit organization received a rating of “pass,” which indicates that the system of audit quality control has been suitably designed and complied with to provide FTC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

FLRA OIG conducted its review in accordance with the Council of the Inspectors General on Integrity and Efficiency Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. FTC OIG’s response to the draft report is included as Enclosure 2.

If you have any questions concerning this latest peer review, please contact me at (202) 326-2355 or by email at Akatsaros@ftc.gov.

Attachment



Office of Inspector General

Peer Review

PEER REVIEW OF THE FEDERAL TRADE COMMISSION OFFICE OF INSPECTOR GENERAL

Report No. MAR-18-05

Federal Labor Relations Authority
1400 K Street, N.W. Suite 250, Washington, D.C. 20424



UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424-0001

July 2, 2018

INSPECTOR GENERAL

System Review Report

Mr. Andrew Katsaros
Interim Inspector General
Federal Trade Commission
600 Pennsylvania Avenue, N.W.; Mail Drop 5206;
Washington, D.C. 20580

Dear Mr. Katsaros:

We have reviewed the system of quality control for the audit organization of Federal Trade Commission (FTC) Office of Inspector General (OIG) in effect for the period ended March 31, 2018. A system of quality control encompasses FTC 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*. FTC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide FTC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and FTC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and 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*. During our review, we interviewed the FTC OIG personnel and obtained an understanding of the nature of the FTC OIG's audit organization, and the design of FTC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits", and administrative files to test for conformity with professional standards and compliance with FTC OIG's system of quality control. The audits selected represented a reasonable cross-section of FTC OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with FTC 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 FTC OIG's audit organization. In addition, we tested compliance with FTC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of FTC OIG's policies and procedures on selected audits. 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 FTC OIG office that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of FTC OIG in effect for the period ended March 31, 2018, has been suitably designed and complied with to provide FTC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FTC OIG has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated July 2, 2018 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 FTC OIG's monitoring of audits performed by Independent Public Accountants (IPAs) 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 FTC 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 FTC OIG's monitoring of work performed by IPAs.

We conducted an exit conference with the FTC OIG on June 19, 2018. Enclosure 2 to this report includes your response to the draft report.

Sincerely,



Dana A. Rooney
Inspector General

Enclosures

Scope and Methodology

We tested compliance with Federal Trade Commission (FTC) Office of Inspector General (OIG) audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of the one audit report issued during the period, April 1, 2015, through March 31, 2018. We also reviewed the internal quality control reviews performed by FTC OIG.

In addition, we reviewed FTC OIG’s monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period, April 1, 2015 through March 31, 2018. During the period, FTC OIG contracted for the audit of its agency’s Fiscal Year 2017 financial statements. FTC OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We performed our review from April 2018 to June 2018 and visited the FTC OIG office located in Washington, D.C.

Table 1. Reviewed Audits Performed by FTC OIG

Report No.	Report Date	Report Title
AR 17-03	3/30/2017	FTC Office of Inspector General Independent Readiness Review of FTC Management’s Implementation of the Digital Accountability and Transparency Act of 2014

Table 2. Reviewed Monitoring Files of FTC OIG for Contracted Audits

Report No.	Report Date	Report Title
AR 18-01	11/8/2017	OIG Independent Evaluation of the Federal Trade Commission’s Compliance with Provisions of the Digital Accountability and Transparency Act
18-02	11/13/2017	OIG Audit Report of the Federal Trade Commission’s Financial Statements for Fiscal Year 2017



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

June 29, 2018

Dana A. Rooney
Inspector General
Federal Labor Relations Authority

Dear Ms. Rooney,

Thank you for the opportunity to comment on the draft System Review Report on the Federal Trade Commission (FTC) Office of Inspector General (OIG) Audit Function. Your draft report determined that the system of quality control for the audit organization of FTC OIG in effect for the period ended March 31, 2018, 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. The FTC OIG received an External Peer Review rating of *pass*.

Your separate letter of comment, with findings that were not considered to be of sufficient significance to affect your office's opinion, will make us even better. We concur with the findings and recommendations in your letter of comment.

We appreciate the efforts and observations made by your office and the professionalism of your work. If you have any questions, please contact me at (202) 326-3255.

A handwritten signature in black ink, appearing to read "Andrew Katsaros". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Andrew Katsaros
Acting Inspector General

CONTACTING THE OFFICE OF INSPECTOR GENERAL

IF YOU BELIEVE AN ACTIVITY IS WASTEFUL,
FRAUDULENT, OR ABUSIVE OF FEDERAL FUNDS,
CONTACT THE:

HOTLINE (800)331-3572
[HTTP://WWW.FLRA.GOV/OIG-HOTLINE](http://www.flra.gov/oig-hotline)

EMAIL: OIGMAIL@FLRA.GOV
CALL: (202)218-7970 FAX: (202)343-1072
WRITE TO: 1400 K Street, N.W. Suite 250, Washington,
D.C. 20424

The complainant may remain confidential; allow their name to be used; or anonymous. If the complainant chooses to remain anonymous, FLRA OIG cannot obtain additional information on the allegation, and also cannot inform the complainant as to what action FLRA OIG has taken on the complaint. Confidential status allows further communication between FLRA OIG and the complainant after the original complaint is received. The identity of complainants is protected under the provisions of the Whistleblower Protection Act of 1989 and the Inspector General Act of 1978. To learn more about the FLRA OIG, visit our Website at <http://www.flra.gov/oig>



Office of Inspector General

PEER REVIEW