



**U.S. COMMODITY FUTURES TRADING COMMISSION**  
**OFFICE OF INSPECTOR GENERAL**  
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System Review Report

August 21, 2019

Ronald Stith  
Inspector General  
National Endowments for the Arts  
400 7<sup>th</sup> Street, NW  
Washington, DC 20506

Dear Mr. Stith,

We (Office of Audits) have reviewed the system of quality control for the audit organization of the National Endowments for the Arts (NEA) Office of the Inspector General (OIG) in effect for the three years ended March 31, 2019. A system of quality control encompasses NEA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Generally Accepted Government Auditing Standards*<sup>1</sup> (GAGAS). The elements of quality control are described in GAGAS. Therefore, NEA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide 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 NEA OIG's compliance therewith based on our review.

Our review was conducted in accordance with GAGAS and the *Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting Peer Review of the Audit Organizations of Federal Offices of Inspector General*. During our review, we met and interviewed NEA OIG personnel and obtained an understanding of the nature of the audit organization, and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected reports from the scope period, collectively referred to as "audits and reviews", and administrative files to test for conformity with professional standards and compliance with NEA OIG's system of quality control. The audits and reviews selected represented a reasonable cross-section of NEA

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<sup>1</sup> GAO, Government Auditing Standards, [GAO-12—331G](#) (Washington, DC, December 2011)

OIG's audit organization. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with NEA OIG management to discuss the interim results of our review. We believe that the procedures we performed provide a reasonable basis for our final opinion.

In performing our review, we obtained an understanding of the system of quality control for the NEA OIG audit organization. In addition, we tested compliance with NEA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NEA OIG's policies and procedures on selected audits and reviews. 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.

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.

**APPENDIX A** to this report identifies scope and methodology, location of the NEA OIG office we visited, and a list of NEA OIG audits and reviews we reviewed.

In our opinion, the system of quality control for the audit organization of NEA OIG in effect for the three years ending March 31, 2019 has been suitably designed and provides NEA 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*. NEA OIG has received an External Peer Review rating of *pass*.

**APPENDIX B** to this report identifies NEA OIG response to the peer review. In addition to reviewing its system of quality control to ensure adherence with GAGAS, we applied certain limited procedures in accordance with guidance established by CIGIE related to NEA OIG's monitoring of audits performed by independent public accountants (IPAs) under contract where the IPAs 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 GAGAS. The purpose of our review procedures was to determine whether NEA 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 NEA OIG's monitoring of work performed by IPAs. We also note NEA OIG audit organization utilizes performance reviews to address NEA headquarters management issues such as implementation of applicable regulations and other engagements.

Sincerely,

A. Roy Lavik, Inspector General

## APPENDIX A

### Scope and Methodology

We tested compliance with the NEA OIG audit organization's system of quality control to the extent we considered appropriate. NEA OIG did not perform any non-audits or attestation engagements but rather only audits and reviews. NEA OIG management contracted independent public accountants (IPAs) to conduct financial statements audits, attestation engagements, Federal Information Systems Management Act (FISMA) Compliance and other GAGAS engagements. Therefore, we did not test compliance with certain NEA OIG's system of quality controls, but note NEA OIG audit organization utilizes performance reviews to address NEA headquarters management issues such as grant funding.

We reviewed the NEA OIG's monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period October 1, 2015 through March 31, 2019. During the period, NEA OIG management contracted for the audit of its agency's Fiscal Year 2017 financial statements (NEA Financial Statements Audit) and FISMA Compliance (2018 FISMA) NEA OIG monitored the IPA's work. NEA OIG also contracted for certain other types of engagements that were to be performed in accordance with GAGAS.

Our work was conducted at NEA OIG headquarters office in Washington, DC.

### NEA OIG Audits and Reviews Peer Reviewed

NEA OIG did not perform any non-audits or attestation engagements. Thus, we tested compliance with relevant aspects of NEA OIG's system of quality controls.

#### Audits and Reviews Selected

OIG Report	Report Title	Date Issued
LS-17-01	South Arts	03/22/2019
Not Applicable	2018 FISMA	11/07/2018
Not Applicable	2017 NEA Financial Statements Audit (Including DATA Act Review)	11/14/2017
R-17-01	2016 FISMA and Cybersecurity	01/10/2017

## APPENDIX B

### NEA OIG Management Response to Peer Review



August 21, 2019

A. Roy Lavik  
Inspector General  
U.S. Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Dear Mr. Lavik,

I have reviewed the report on the system of quality control for the audit organization of the National Endowment for the Arts (NEA) Office of Inspector General (OIG) for the three years ended March 31, 2019. We are pleased that it was determined that our system of quality control was suitably designed and that our adherence to this system provided reasonable assurance that the audit organization performed work and reported results in accordance with professional standards.

Thank you for providing the report on the Peer Review of NEA OIG. We would also like to thank you and your staff for the time and effort in conducting our Peer Review. If you have any questions, please feel free to contact me at (202)682-5774.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Stith", is written over a light blue horizontal line.

Ron Stith  
Inspector General