



U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
Washington, D.C. 20507

Office of Inspector General

Jon Hatfield
Inspector General
Federal Maritime Commission
800 North Capitol Street, NW, Suite 1054
Washington, D.C. 20573

Subject: External Peer Review Report on the Federal Maritime Commission Office of Inspector General Audit Organization (Project No. 2019-001-SOIG)

Attached is the External Peer Review Report of the Federal Maritime Commission's Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and 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*. Your response to the letter is included as Enclosure 2 with excerpts and our position incorporated into the relevant sections of the report.

We appreciate the cooperation and courtesies extended to our staff during the review.

A handwritten signature in cursive script that reads "Milton A. Mayo, Jr." followed by a horizontal line.

Milton A. Mayo, Jr.
Inspector General

Attachment



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Office of Inspector General

System Review Report

May 23, 2019

To: Mr. Jon Hatfield, Inspector General
Federal Maritime Commission

We have reviewed the system of quality control for the audit organization of Federal Maritime Commission Office of Inspector General (FMC OIG) in effect for the year ended September 30, 2018. A system of quality control encompasses FMC 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*. FMC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide FMC 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 FMC 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 FMC OIG personnel and obtained an understanding of the nature of the FMC OIG audit organization, and the design of FMC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with FMC OIG's system of quality control. The audits selected represented a reasonable cross-section of FMC 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 FMC 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 FMC's OIG audit organization. In addition, we tested compliance with FMC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of FMC 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 FMC OIG office that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of FMC OIG in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide FMC 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*. FMC OIG has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated May 23, 2019, that sets forth a finding that was 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 FMC OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA 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 *Government Auditing Standards*. The purpose of our limited procedures was to determine whether FMC 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 FMC OIG's monitoring of work performed by IPAs.



Milton A. Mayo, Jr.
Inspector General

Enclosure

Scope and Methodology

We tested compliance with the FMC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of one audit report issued during the period October 1, 2015 through September 30, 2018. We also reviewed the internal quality control reviews performed by FMC OIG.

In addition, we reviewed FMC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period October 1, 2015, through November 15, 2018 (We selected the most recent published audit performed by IPA at the time we started the peer review). During the period, FMC OIG contracted for the audit of its Agency's Fiscal Year 2018 financial statements. FMC OIG also contracted previous annual financial statement audits that were performed in accordance with *Government Auditing Standards*.

We visited the FMC OIG office located in Washington, D.C., where we reviewed:

Files for the Audit Performed by FMC OIG:

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u> |
|-------------------|--------------------|----------------------|
| A18-03 | 11/08/2017 | DATA Act Audit, 2017 |

Files for the Audit Performed by an IPA for FMC OIG:

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u> |
|-------------------|--------------------|--|
| A19-01 | 11/15/2018 | Independent Auditors' Report of the FMC's FY 2018 Financial Statements |