



UNITED STATES CAPITOL POLICE

WASHINGTON, DC 20510

May 27, 2014

INSPECTOR GENERAL

Mr. Hubert Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW Room 700
Washington, D.C. 20009

Subject: Policies and Procedures Report of the Appalachian Regional Commission's
Office of Inspector General Audit Organization

Dear Mr. Sparks:

Attached is the final Policies and Procedures Report of the Appalachian Regional Commission's Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your response to the draft report is included in the relevant sections of the report. We agree with your proposed corrective actions to our suggestions.

As stated at the exit conference, we did note that your audit organization has some best practices, such as monitoring of independent public accountants (IPA) under contract, where the IPA serves as the principal auditor, ensuring that all entities receiving Federal funds are accountable. These practices are ones that an OIG with limited staff can utilize to better ensure compliance with Federal awards.

We thank you and your staff for your assistance and cooperation during the review.

Fay F. Ropella, CPA, CFE
Inspector General
United States Capitol Police

Attachment



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Policies and Procedures Report

May 27, 2014

To: Hubert Sparks, Inspector General
Appalachian Regional Commission

We have reviewed established policies and procedures for the audit organization of the Appalachian Regional Commission (ARC) Office of Inspector General (OIG) in effect at September 30, 2013. Established policies and procedures is one component of a system of quality control to provide ARC OIG with reasonable assurance of conforming to applicable standards. The components of a quality control system are described in the *Government Auditing Standards*. ARC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide ARC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. Our responsibility is to assess whether policies and procedures submitted for review were suitably designed consistent with applicable professional standards in all material respects.

Our review was conducted in accordance with guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) for assessing the adequacy of policies and procedures for those OIGs with limited staff that performed other reviews including inspections and evaluations based on the *Quality Standards for Inspections and Evaluations* and as such did not include audits conducted in accordance with *Government Auditing Standards* by ARC OIG staff during the scope of this review. ARC OIG elected to perform these other reviews in accordance with their responsibilities under the Inspector General (IG) Act of 1978 to assess their agency's programs and processes because it was more efficient and effective.

In addition to reviewing established policies and procedures for the audit organization of ARC OIG, we applied certain limited procedures in accordance with guidance established by the CIGIE related to ARC OIG's monitoring of audits in accordance with *Government Auditing Standards* performed by independent public accountants (IPA) 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 ARC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards.

During our review, we (1) interviewed ARC OIG personnel, (2) obtained an understanding of the nature of the ARC OIG audit organization, and (3) assessed established policies and procedures and the ARC OIG's IPA monitoring process. We also visited the Washington, D.C. office and reviewed the following IPA monitoring projects:

1. Fiscal Year 2012 Financial Statement Audit (Financial Audit Report No. 13-01)
2. Report on University of Kentucky Research Foundation Grant, KY-16403 (Audit of Grant Award Report No. 13-09)
3. Report on South Carolina Appalachian Council of Governments LDD Administrative Grant, SC-0709-C45 (Performance Audit Report No. 13-27)

As previously stated, ARC OIG uses other types of reviews including inspections and evaluations as oversight tools. According to ARC IG, conducting inspections and evaluations allows for more efficient, effective, and timely oversight of its agency programs and operations by limited OIG staff. The IG also noted "our goal is results over process and substance over form and have been successful although this sometimes conflicts with inflexible standards or regulations."

Consequently, we conducted a Modified Review. Our work in this capacity differs from a peer review in accordance with the *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. In that regard, USCP OIG does not express an opinion on ARC's policies and procedures for the audit function or its monitoring of IPAs for the period ended September 30, 2013.

At our May 27, 2014, exit conference with ARC OIG, we proposed several improvements, which we did not consider to be of sufficient significance to affect the ability of ARC OIG to conduct future audits that comply with professional standards and applicable legal and regulatory requirements. Yet, we believe if ARC OIG implements these proposed improvements it may improve its system of quality control to provide ARC OIG and its stakeholders reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

ARC OIG generally agreed with our proposed improvements and stated that OIG would pass this information to the next IG.



Fay F. Ropella, CPA, CFE
Inspector General