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To: ALL EXECUTIVE DIRECTORS
GRANTEE INDEPENDENT PUBLIC ACCOUNTANTS

From: Ronald D. Merryman *RDM*
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Subject: Summary Results of Quality Control Reviews (QCR)
for FY 2011 Financial Statement Audits

Date: February 28, 2013

The information presented below is a summary of the results of our QCRs of FY 2011 Financial Statement audits conducted by Independent Public Accountants (IPAs). This is the second year of a four year program designed to conduct a QCR of all IPAs performing audits of LSC grantees. IPAs and Executive Directors are encouraged to use the summary information in planning and conducting audits.

The primary purpose of a QCR is to determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance are conducted in accordance with applicable standards and the Office of Inspector General (OIG) guidance. The standards and guidance include Government Auditing Standards, American Institute of Certified Public Accountants standards, Office of Management and Budget (OMB) Circular A-133, and the OIG's Audit Guide for Recipients and Auditors, which includes the OIG's Compliance Supplement.

During this cycle, a total of 35 QCRs were conducted and are classified below.

- 2 met standards with no exceptions.
- 30 met standards with one or more exceptions.
- 3 did not meet standards.

Common exceptions identified in the QCR reports included:

- The universe from which the case file items were selected was not always validated. Additionally, the universe from which the sample was selected did not always include all cases open and closed as listed in the OIG's Compliance Supplement.
- Case file testing did not provide assurance that attributes were complete and specific to ensure cases tested complied with all LSC guidelines, restrictions, and eligibility requirements including those of the grantee organization.
- Interviews with staff personnel, executive director and intake personnel were not completed or adequately documented. The number of documented interviews did not meet LSC OIG guidelines. In addition, the interviews with the individual responsible for maintaining the tracking and timekeeping system and Executive Director for Part 1635-Timekeeping were not always conducted.
- Recordkeeping requirements for the various LSC requirements were not always reviewed. Although not applicable in many instances, no positive assurance was noted in the working papers that the requirement was evaluated
- Audit procedures to test compliance with special grant requirements were not always developed and performed.
- Determinations were not always made as to whether recipients maintain proper records for and adequately safeguard property.
- The review of the organizations policies to ensure that they were consistent with LSC requirements was not always documented as performed.
- Major programs, other than LSC, were not properly selected or adequately reviewed in accordance with OMB Circular A-133.

Deficiencies identified in the QCR reports that indicated audits did not meet standards included:

- Instances in which the basis for the auditor's opinion on the financial statements, compliance, and associated internal controls over both financial reporting and compliance were unsupported or inadequately supported.
- An instance where the working papers were indicative of a potential finding but no disclosure was made in the audit report.
- An instance in which the audit was inadequately planned.

If you have any questions regarding this Advisory please contact the Audit Help Line at 202-295-1671 or send an email to audits@oig.lsc.gov.