

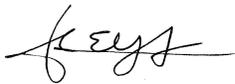


Office of Inspector General
Legal Services Corporation

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MEMORANDUM

TO: Board of Directors
Legal Services Corporation

FROM: Thomas Yatsco
Inspector General 

SUBJECT: Audit System Review Report of the Legal Services Corporation Office of Inspector General

DATE: October 26, 2023

On September 26, 2023, the Office of Inspector General (OIG) for the Federal Housing Finance Agency (FHFA) issued a System Review Report of the Legal Services Corporation (LSC) Office of Inspector General, commonly referred to as an external peer review. There are three types of external peer review report ratings that may be issued: *pass*, *pass with deficiencies*, and *fail*. LSC OIG received a rating of “pass,” the highest rating possible.

FHFA OIG conducted the peer review in accordance with *Generally Accepted Government Auditing Standards* and guidance issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE guidance requires us to send the final report to you.

Attached is the final System Review Report including the LSC OIG’s comments.

If you would like additional information, please contact me at tyatsco@oig.lsc.gov or 202-295-1697.

Attachment

Cc: Ronald S. Flagg
President, Legal Services Corporation



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

System Review Report

September 26, 2023

Mr. Tom Yatsco, Inspector General
Legal Services Corporation Office of Inspector General

We have reviewed the system of quality control for the audit organization of the Legal Services Corporation Office of Inspector General (LSC OIG) in effect for the year ended March 31, 2023. This system encompasses LSC OIG's organizational structure and the established policies and procedures that provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards*¹ and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of LSC OIG in effect for the year ended March 31, 2023, has been suitably designed and complied with to provide LSC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. LSC OIG has received an External Peer Review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

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 Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to LSC OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPA) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements 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 LSC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on LSC OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter, dated September 26, 2023, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

¹ See GAO-21-386G, *Government Auditing Standards* (2018 Revision Technical Update April 2021) at www.gao.gov/assets/gao-21-368g.pdf.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the [*CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*](#) (March 2020).

During our review, we interviewed LSC OIG personnel and obtained an understanding of the nature of the LSC OIG audit organization and the design of LSC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with LSC OIG's system of quality control. Those GAGAS engagements represented a reasonable cross-section of LSC OIG's audit organization, with an emphasis on higher-risk engagements.

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

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with LSC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies LSC OIG engagements we reviewed.

Responsibilities and Limitation

LSC OIG is responsible for establishing and maintaining a system of quality control designed to provide it with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and LSC OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

Sincerely,



Brian M. Tomney
Inspector General

Enclosures

Scope and Methodology

We tested compliance with LSC OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 3 of 3 engagement reports conducted in accordance with generally accepted government auditing standards (GAGAS engagements) issued from April 1, 2022, through March 31, 2023. We also reviewed the internal quality control reviews performed by LSC OIG. Since the last peer review period ending March 31, 2020, LSC OIG terminated one engagement. We included this engagement in our peer review to determine whether LSC OIG documented the results of the work to the date of termination, why the audit was terminated, and how the reason for termination was communicated to those charged with governance, appropriate officials of the audited entity, and other officials.

In addition, we reviewed LSC OIG’s monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2022, through March 31, 2023. During the period, LSC OIG contracted for the audit of its agency’s fiscal year 2021 financial statements. We performed this external peer review remotely from April 2023 through July 2023. As part of our review, we interviewed key LSC OIG personnel, and we reviewed LSC OIG’s audit policies and procedures, documentation supporting staff independence, continuing professional education, and competence, among other things. We performed this peer review using CIGIE’s audit peer review guide and applicable checklists.

Reviewed GAGAS Engagements Performed by LSC OIG:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AU-22-02	7/26/2022	Audit on LSC’s Distribution, Use, and Oversight of Cares Act Funds
AU-23-01	11/10/2022	Audit on Selected Internal Controls at Texas RioGrande Legal Aid, Inc.
AU-23-03	3/15/2023	Audit on Selected Internal Controls at Land of Lincoln Legal Aid, Inc.

Reviewed Monitoring Files of LSC OIG for Contracted GAGAS Engagement:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
None Given	7/1/2022	Legal Services Corporation Financial Statements Years Ended September 30, 2021 and 2020

LSC OIG Response

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September 19, 2023

The Honorable Brian M. Tomney
Inspector General
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Dear Inspector General Tomney,

Thank you and your staff for conducting the peer review of the Legal Services Corporation (LSC) Office of Inspector General's (OIG) audit program. We appreciate the team's comments and the professional and thoughtful manner in which they conducted themselves during the review.

I am pleased that your review resulted in the issuance of a "pass rating," including your conclusion that the LSC OIG's quality control system was adequately designed and was functioning as prescribed and, therefore, yielded reasonable assurance that we complied with Generally Accepted Government Auditing Standards (GAGAS). We are aware that any organization's policies, procedures, and practices can be improved, and for the areas identified by your staff, appreciate the opportunity to do so. We have responded to your recommendations in the letter of comment and will take actions as appropriate. I appreciate the opportunity to comment on the draft peer review report and look forward to receiving the final report.

Again, I thank you and your team for your efforts and the courtesies extended during the peer review.

Sincerely,

Thomas Yatsco
Inspector General

Attachment