



Office of Inspector General  
Legal Services Corporation

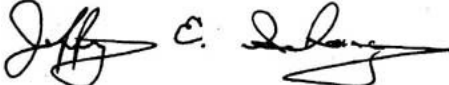
**Inspector General**

Jeffrey E. Schanz

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## MEMORANDUM

**TO:** Board of Directors  
Legal Services Corporation

**FROM:** Jeffrey E. Schanz  
Inspector General 

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

**DATE:** November 23, 2020

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On November 13, 2020, the Office of Inspector General for the National Railroad Passenger Corporation (Amtrak) issued an external peer review of the Legal Services Corporation (LSC) Office of Inspector General (OIG) with a rating of "pass."

Amtrak 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.

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

If you would like additional information, please contact me at [jschanz@oig.lsc.gov](mailto:jschanz@oig.lsc.gov) or 202-295-1677.

Attachment



OFFICE of INSPECTOR GENERAL  
NATIONAL RAILROAD PASSENGER CORPORATION

System Review Report

November 13, 2020

Jeffrey Schanz  
Inspector General  
Legal Services Corporation Office of Inspector General  
3333 K Street, NW  
Washington, D.C. 20007

Dear Mr. Schanz:

We have reviewed the system of quality control for the audit organization of Legal Services Corporation (LSC) Office of Inspector General (OIG) in effect for the year ended March 31, 2020. A system of quality control encompasses LSC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards*<sup>1</sup> 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, 2020 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 (IPAs) under contract where the IPA served as the auditor. It should be noted

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<sup>1</sup> LSC OIG policies and procedures were reviewed using the 2018 version of the Government Auditing Standards. See, GAO, *Government Audit Standards 2018 Revision* (GAO-18-568G), July 2018. The GAGAS engagements were reviewed using the 2011 version of the Government Auditing Standards. See GAO, *Government Audit Standards 2011 Revision* (GAO-12-331G), December 2011.

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 November 13, 2020 that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

### **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*.<sup>2</sup>

During our review, we surveyed 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. The GAGAS engagements selected represented a reasonable cross-section of LSC OIG 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 the engagements we reviewed.<sup>3</sup>

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<sup>2</sup> The 2020 version of the guide was used for LSC OIG policies and procedures. See, CIGIE, *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, March 2020. The 2014 version of the guide was used for GAGAS engagements. See, CIGIE, *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, September 2014.

<sup>3</sup> We did not visit LSC OIG's headquarters in Washington, D.C. to review GAGAS engagements due to coronavirus pandemic quarantine restrictions. We obtained electronic files from LSC OIG to conduct our review of GAGAS engagements.

## **Responsibilities and Limitation**

Our review was conducted entirely during the coronavirus pandemic and was completed virtually. As a result, we were unable to visit LSC OIG offices and review records in person.

LSC OIG is responsible for establishing and maintaining a system of quality control designed to provide LSC OIG 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.



Kevin H. Winters, 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 three of six engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from April 1, 2019, through March 31, 2020. We also reviewed the internal quality assurance monitoring reports performed by LSC OIG. LS OIG did not perform any nonaudit services in the three years prior to March 31, 2020.

In addition, we reviewed LSC OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2019, through March 31, 2020. During the period, LSC OIG contracted for the audit of its agency's fiscal year 2018 financial statements.

We used CIGIE guidance<sup>4</sup> to conduct our review. We reviewed LSC OIG's audit policies and procedures, continuing professional education and independence documents; interviewed management; surveyed staff; and completed checklists from CIGIE's guide.<sup>5</sup>

### Reviewed GAGAS Engagements Performed by LSC OIG

Report Number	Report Date	Report Title
AU 19-04	9/30/2019	Legal Aid of East Tennessee
AU 20-02	12/23/2019	Central Virginia Legal Aid Society, Inc.

### Reviewed Monitoring Files of LSC OIG for Contracted GAGAS

Report Number	Report Date	Report Title
2018-CA-01	5/23/2019	LSC Corporate Audit 2018

<sup>4</sup> The 2020 version of the guide was used for LSC OIG policies and procedures. See, CIGIE, *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, March 2020. The 2014 version of the guide was used for GAGAS engagements. See, CIGIE, *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*, September 2014.

<sup>5</sup> We completed the following checklists: Appendix A Policies and Procedures (March 2020); Appendix B Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (March 2020); Appendix E Checklist for Review of Performance Audits Performed by the Office of Inspector General (September 2014); and Appendix F Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm (September 2014)



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November 9, 2020

Mr. Kevin H. Winters  
Inspector General  
Office of Inspector General  
For National Railroad Passenger Corporation (Amtrak)  
10 G Street, NE  
Suite 3W-300  
Washington, DC 20002

Dear Inspector General Winters,

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 that the LSC OIG's quality control system was adequately designed and was functioning as prescribed and thus 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 recommendation in the letter of comment and will take actions appropriate to address the issue. 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 courtesies in conducting this peer review.

Sincerely,

Jeffrey E. Schanz  
Inspector General

Attachment