



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Mr. Steven J. Reader, Managing Partner
Calibre CPA Group, PLLC
1800 K Street
Suite 1050
Washington, DC 20006-2202

Dear Mr. Reader:

Enclosed for your review and information is a copy of the report *Quality Control Review of Calibre CPA Group, PLLC* (AUD/CG-10-14).

As discussed in the report, the Office of Inspector General (OIG) determined that the National Endowment for Democracy's FY 2008 audit report and associated working papers of Calibre CPA Group, PLLC, met applicable auditing guidance and regulatory requirements specified in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; its related compliance supplement; *Government Auditing Standards*; and generally accepted auditing standards. Therefore, no follow-up action is required.

OIG appreciates the assistance and support provided by your staff during this review. If you have any questions, please contact Evelyn R. Klemstine, Assistant Inspector General for Audits, at (703) 284-2604 or by e-mail at klemstinee@state.gov or Kevin Hrynkow, Audit Director, at (703) 284-2713 or by e-mail at hrynkowk@state.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Geisel", written over a horizontal line.

Harold W. Geisel
Deputy Inspector General

Enclosure: As stated.

cc: Carl Gershman, National Endowment for Democracy

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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Office of Audits

Quality Control Review of Calibre CPA Group, PLLC

Report Number AUD/CG-10-14, January 2010

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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. W. Geisel".

Harold W. Geisel
Deputy Inspector General

SUMMARY

As the cognizant Federal funding agency for the National Endowment for Democracy (NED), the Department of State, Office of Inspector General (OIG), performed a quality control review of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, audit performed by Calibre CPA Group, PLLC, for the fiscal year ended September 30, 2008. The objectives of the quality control review were (1) to ensure that the NED FY 2008 OMB Circular A-133 audit was conducted in accordance with applicable standards and met the single audit requirements, (2) to identify any follow-up audit work needed, and (3) to identify issues that may require management attention.

OIG determined that NED's A-133 audit report and associated Calibre working papers met the applicable auditing guidance and regulatory requirements specified in OMB Circular A-133, its related compliance supplement, *Government Auditing Standards*, and generally accepted auditing standards. Therefore, no follow-up action is required.

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BACKGROUND

A key responsibility of the Office of Inspector General (OIG) is to ensure the quality of single audits and other audits performed by non-Federal auditors. This responsibility is specifically mandated in the Inspector General Act of 1978. This act mandates that all Federal Inspectors General “take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.”

OMB Circular A-133 was issued pursuant to the Single Audit Act of 1984 (Public Law 98-502) and the Single Audit Act Amendments of 1996 (Public Law 104-156). Circular A-133 presents standards for obtaining consistency and uniformity among Federal agencies for the audit of states, local governments, and nonprofit organizations expending Federal awards.¹

Additionally, OMB Circular A-133 established the Federal audit and reporting requirements for nonprofit organizations.² The Circular requires that the cognizant agency obtain or conduct quality control reviews of selected audits made by non-Federal auditors and provide the results, where appropriate, to other interested organizations.

On January 15, 2009, Calibre issued an audit report on NED for the fiscal year ended September 30, 2008. Calibre issued an unqualified opinion on the financial statements and the Schedule of Expenditures of Federal Awards. The auditors found no instances of noncompliance in the financial statement audit that are required to be reported under generally accepted auditing standards and *Government Auditing Standards*. Finally, the auditors noted no matters considered to be material weaknesses involving internal controls related to the financial statements or to major programs.

¹ Circular A-133 states that non-Federal entities that expend \$500,000 for fiscal years ending after December 31, 2003, or more in a year in Federal awards are required to have a single audit.

² Circular A-133 requires the auditor to report on (a) the audited financial statements and schedule of expenditures of Federal awards; (b) internal control; (c) compliance with laws, regulations, and the provisions of contracts or grant agreements; and (d) the schedule of findings and questioned costs.

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OBJECTIVES, SCOPE, AND METHODOLOGY

OIG's primary purposes were (1) to ensure that the NED FY 2008 OMB Circular A-133 audit was conducted in accordance with applicable standards and met the single audit requirements, (2) to identify any follow-up audit work needed, and (3) to identify issues that may require management attention.

OIG reviewed Calibre's OMB Circular A-133 audit report on NED for the fiscal year ended September 30, 2008, and related working papers.

OIG performed the review using the 1999 edition of the *Uniform Quality Control Review Guide for A-133 Audits*. The guide is to be used by all Federal agencies when they conduct quality control reviews of OMB Circular A-133 audits. The guide was issued by the President's Council on Integrity and Efficiency to ensure that the scope of the quality control reviews is sufficient to fulfill the review objectives. OIG re-viewed the audit for compliance with OMB Circular A-133; with *Government Auditing Standards*, issued by the Comptroller General of the United States; and with generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA). OIG reviewed the audit programs, the working paper documentation, and the compliance and substantive testing performed. OIG also interviewed the firm partner who supervised the audit.

OIG reviewed the most recent peer review letter, dated November 2, 2007, issued by Hamilton, McKinney & Moss, certified public accountants. They found that Calibre's system of quality control for its accounting and auditing practice had been designed to meet the requirements of the quality control standards established by the AICPA and that the standards were complied with for the year ended June 30, 2007.

The Office of Audits conducted this review in Washington, D.C., from October 20-22, 2009.

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RESULTS OF REVIEW

OIG disclosed no issues requiring audit follow-up or management attention in its review of the following qualitative aspects of the single audit:

- Auditor qualifications
- Independence
- Due professional care
- Quality control
- Planning and supervision
- Federal receivables and payables
- Other standards affecting Federal awards
- Determination of major programs
- Schedule of expenditures of Federal awards
- Audit follow-up
- Reporting
- Internal controls and compliance testing for major programs
- Data collection form

OIG determined that NED's A-133 audit report and associated Calibre working papers met the applicable auditing guidance and regulatory requirements specified in OMB Circular A-133, its related compliance supplement, *Government Auditing Standards*, and generally accepted auditing standards. Therefore, no follow-up action is required.

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ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
NED	National Endowment for Democracy
OIG	Office of Inspector General
OMB	Office of Management and Budget

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FRAUD, WASTE, ABUSE, OR MISMANAGEMENT
of Federal programs
and resources hurts everyone.

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