January 26, 2010

Rebecca Anne Batts  
Inspector General  
Office of Inspector General  
Pension Benefit Guaranty Corporation  
1200K Street, NW  
Washington, DC 20005-4026

Subject: System Review Report on the Pension Benefit Guaranty Corporation  
Office of Inspector General Audit Organization

Dear Ms. Batts:

Attached is the final System Review Report of the Pension Benefit Guaranty Corporation 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 as Enclosure 2.

We thank you and all of your staff that we dealt with for your assistance and cooperation during the conduct of the review.

If you have any questions, please contact Thomas C. Cline, Assistant Inspector General for Policy and Planning, at 202-418-7890 or at thomas.cline@fcc.gov.

David L. Hunt  
Acting Inspector General

Attachment
January 26, 2010

System Review Report

TO: Rebecca Anne Batts, Inspector General
Pension Benefit Guaranty Corporation

We have reviewed the system of quality control for the audit organization of the Pension Benefit Guaranty Corporation Office of Inspector General (PBGC OIG) in effect for the year ended September 30, 2009. A system of quality control encompasses the organizational structure of an Office of Inspector General and the policies adopted and procedures established to provide it with reasonable assurance of conforming with Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. PBGC OIG is responsible for designing a system of quality control and complying with it to provide PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and PBGC OIG’s compliance therewith based on our review.

Our review was conducted in accordance with Government Auditing Standards and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed PBGC OIG personnel and obtained an understanding of the nature of the PBGC OIG audit organization, and the design of the PBGC OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the PBGC OIG’s system of quality control. The engagements selected represented a reasonable cross-section of the PBGC OIG’s audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with PBGC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for PBGC OIG’s audit organization. In addition, we tested compliance with the PBGC OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the PBGC OIG’s policies and procedures on selected 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.
There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and 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.

The engagements that we reviewed are included as Enclosure 1 to this report and your response to the draft report is included as Enclosure 2.

In our opinion, the system of quality control for the audit organization of PBGC OIG in effect for the year ended September 30, 2009, has been suitably designed and complied with to provide PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. PBGC OIG has received a peer review rating of pass.

As is customary, we have issued a letter dated December 29, 2009 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 CIGIE related PBGC OIG’s monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of 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 PBGC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on PBGC OIG’s monitoring of work performed by IPAs.

David L. Hunt
Acting Inspector General

Enclosures
SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the PBGC OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of three of six audit and attestation reports issued during the period November 13, 2008, through September 25, 2009, and semiannual reporting periods ending March 31, 2009 and September 30, 2009. We also reviewed the internal quality control reviews performed by PBGC OIG.

In addition, we reviewed the PBGC OIG’s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period November 13, 2008, through September 25, 2009. During the period, PBGC OIG contracted for the audit of its agency’s Fiscal Year 2008 and 2007 financial statements. PBGC OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

**Reviewed Engagements Performed by PBGC OIG**

We reviewed the following audits in testing compliance with the PBGC OIG’s quality control policies and procedures:

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Report Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD-2009-5</td>
<td>5/15/2009</td>
<td>Former Director’s Involvement in Contracting for Investment Services</td>
</tr>
</tbody>
</table>

**Reviewed Monitoring Files of PBGC OIG for Contracted Engagements**

We reviewed the following monitoring files for reports issued by IPAs selected for review of the OIG’s monitoring activities:

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Report Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD-2009-1</td>
<td>11/13/2008</td>
<td>Audit of the PBGC’s Fiscal Year 2008 and 2007 Financial Statements</td>
</tr>
<tr>
<td>AUD-2009-7</td>
<td>9/25/2009</td>
<td>Zimmerman Associates Verification of Personnel Qualifications</td>
</tr>
</tbody>
</table>
TO: David L. Hunt, Acting Inspector General
Office of Inspector General
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

SUBJECT: Response to the System Review Report Regarding the Audit Organization of the Office of Inspector General for the Pension Benefit Guaranty Corporation

Thank you for the opportunity to respond to your review of the system of quality control for the audit organization of the Pension Guaranty Benefit Corporation (PBGC) Office of Inspector General (OIG). Your draft report provided PBGC OIG with the highest possible peer review rating, a rating of pass. We are pleased that you determined that our system of quality control was suitably designed and that our adherence to this system provided reasonable assurance that the audit organization performed work and reported results in accordance with professional standards.

I wish to thank you and Thomas Cline, Assistant Inspector General for Policy and Planning, for your professionalism in conducting our peer review. We appreciate the FCC's thorough and balanced external peer review.

If you have questions or need additional information, please feel free to contact me at (202) 326-4030, ext. 3437 or Assistant Inspector General for Audit, Joseph A. Marchowsky, at ext. 3928.

Sincerely,

Rebecca Anne Batts
Inspector General