

# LANI EKO & COMPANY, CPAs, PLLC

## Statement of Capabilities

### Auditing, Accounting and Financial Advisory Services

GSA FABS – 520 (Contract No.: GS-23F-0016T)

NAVY SEAPORT ENHANCED (Contract No.: N00178-09-D-5764)

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*Quality Nurtured By Leadership and Integrity*

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AICPA Peer Review Letter

## Corporate Facts

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### Certifications

U.S. Small Business Administration Certified 8 (a) Program Participants

U.S. Small Business Administration Certified Small Disadvantaged Business

<p><b>GSA FABS 520: GS23F0016T</b></p> <ul style="list-style-type: none"> <li>▪ 520-7 Financial and Compliance Audits</li> <li>▪ 520-11 Accounting</li> <li>▪ 520-13 Complementary Financial Management Services</li> </ul> <p>GSA Advantage! <a href="http://www.gsaadvantage.gov">http://www.gsaadvantage.gov</a></p>	<p><b>NAVY SEAPORT: N00178-09-D-5764</b></p> <p><i>Functional Areas:</i></p> <ul style="list-style-type: none"> <li>▪ 3.12–Information System Development, Information Assurance, IT Support</li> <li>▪ 3.18 – Training Support</li> <li>▪ 3.20 - Program Support</li> <li>▪ 3.21 - Functional and Administrative Support</li> </ul> <p><i>Geographical Zones:</i></p> <ul style="list-style-type: none"> <li>▪ Zone 1 – Northeast</li> <li>▪ Zone 2 – National Capital</li> <li>▪ Zone 3 – Mid Atlantic</li> </ul>
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## Executive Summary

After over 20 years of providing auditing and accounting services to federal agencies, including six years as a Senior Manager with the Public Sector Group of Ernst & Young, Mr. Eko founded Lani Eko & Company, CPAs, PLLC (LEC). LEC is a professional and technical services company specializing in auditing and accounting, financial analysis, and management and information technology consulting. Our blend of financial and accounting, management consulting, computer science and general management expertise enables LEC to meet the most challenging and complex client requirements.

The firm you select is only as good as its people. We at LEC pride ourselves in producing solutions that meet and exceed our clients' needs. LEC embraces a tradition of excellence through strong technical and professional competence. As a result of these strengths, LEC is in a highly competitive position to assist our clients in meeting objectives of various federal financial management initiatives. We have assembled an exceptional team of experienced and dedicated professionals that work effectively together, and our clients know that Lani Eko & Company will provide the best service from the most highly qualified professionals. We staff our engagements with professionals who possess significant and relevant experience. Our key professionals are former employees of Big 4 accounting firms and large consulting firms. LEC professionals have extensive experience providing accounting, auditing and consulting services to various Federal entities. Specific tasks performed have included audits of financial statements, evaluations of internal controls, assessment of compliance with laws and regulations, evaluation of consistency between statements, assessments of the relevance and reliability of performance data, and a variety of agreed-upon procedures. Over the last 20 years, LEC's professionals have assisted Federal agencies to overcome disclaimer or qualified opinions on their financial statements due to accounting, budgeting and financial reporting problems. In addition, LEC professionals have provided agencies with documentation of accounting practices and procedures, with recommendations for how they could improve those practices and procedures.

LEC has a proven track record of providing audits, financial management advisory services and information technology services to federal agencies and departments. Our team possesses appropriate skill sets and experience which enables our company to assist our clients with various federal financial management services. By sustaining a strong customer focus, LEC has established and maintained a high level of client trust and confidence through its knowledge of and concern for the clients' business needs. LEC provides client service with proven methodologies, effective communication and appropriate technologies and knowledge. These are critical factors contributing to successful completion of projects within contract terms.

As LEC continues to grow, our goal is to recruit employees of the highest caliber who are committed to excellence and meet the firm's rigid professional standards. This ensures the continuity of a professional team in which we can take great pride and one in which our clients can place their full confidence. Our in-house support staff are dedicated to efficient provision of administrative assistance, providing maximum logistic support possible to ensure that valuable advisory time is dedicated to attainment of engagements goals.

LEC's success to date is a tribute to the Company's commitment to providing its clients with the highest possible level of service. This commitment is born of the practical conviction that the Company's survival and growth are linked directly to the quality of its work and the extent to which the firm

continues to provide its clients with exemplary products and services. Our company approach to management, recruitment, staff development, project performance, and quality control is geared to assuring the delivery of outstanding professional services and products to our clients, on schedule within budget, and in response to the specific technical and administrative requirements of each contract.

LEC's commitment to quality and providing cost-effective services is the cornerstone of our management philosophy. As the basis for our past success, this commitment stands as the foundation for our future growth. Lani Eko & Company is devoted to quality, and we have taken extra steps to assure that we meet and even exceed the professional standards of quality established by Government Auditing Standards and the American Institute of Certified Public Accountants (AICPA). Through dedication and commitment of our management and staff, our firm adheres to the most rigorous criteria of our profession established by Government Accountability Office and by the AICPA.

LEC is a U.S. Small Business Administration certified 8(a) and Small Disadvantaged Business.

## Our Services

Lani Eko & Company, CPAs, PLLC diverse and technical expertise includes:

- **Chief Financial Officers' Act and Other Complementary Audits**

We perform CFO Act audits, financial statement audits, financial-related audits and performance audits. An independent assessment of an audited entity's a) financial statements in conformity with generally accepted accounting principles, b) financial information, adherence to financial compliance requirements and internal controls, or c) organization or program performance to identify areas for improvement. We assist agencies in developing questions for use at hearings, develop methods and approaches in evaluating a new or proposed program and forecast potential program outcomes. Also, LEC perform audits to recover funds resulting from overpayments, duplicate payments and underpayments.

- **OMB Circular A-123 Compliance**

The passage of Sarbanes-Oxley Act of 2002 (SOX) has refocused attention of federal agencies and departments to reevaluate current policies relating to internal control over financial reporting and management related responsibilities. To apply the requirements of SOX to federal arena, OMB Circular A-123 was revised through an appendix, Appendix A-Internal Control over Financial Reporting. Appendix-A emphasizes management responsibilities for establishing and maintaining effective internal control over financial reporting by (i) requiring that documentation be maintained not only of the controls in place but also of the assessment process and the methodology management used to support its assertion as to the effectiveness of the internal control over financial reporting; (ii) requiring that management performed monitoring activities that include direct testing of controls as part of the assessment process; and (iii) requiring separate assurance statement from management on the effectiveness of internal control over financial reporting.

LEC's professionals have gained experience through direct knowledge of providing similar services to federal agencies and departments. Over the years, for major financial processes, including Fund Balance with Treasury, Obligations, Accounts Payable, Appropriations Received, Credit Program Receivables and Liability for Loan Guarantees, we have assisted in assessing risks, planning monitoring and developing testing, developing documentation standards, identifying key controls and compensating controls, and assessing effectiveness of controls. We do not believe in one size fits all approach; therefore, our professionals assist federal agencies and departments in developing Corrective Action Plans that meet their unique needs.

- **Contracts, Grants, and Cost Proposals Audits and Reviews**

LEC professionals assist agencies to determine propriety of grant charges, the financial capability of the prospective contractors, the adequacy of the offerors' accounting systems, the allocability and allowability of charges, compliance with enabling laws, and the reasonableness of proposed costs. The audits are in accordance with Government Auditing Standards, OMB Bulletins and Circulars, the cost principles set forth in Accounting Guide for Government Contracts, Federal Acquisition Regulations, and Cost Accounting Standard Board Rules and Regulations.

- **Accounting and Reconciliations Assistance**

We assist agencies in reconciling Fund Balance with Treasury and general ledger accounts, reconciling differences between proprietary and budgetary accounts, defining accounting transactions that comply with SFFAS requirements; establishing the necessary internal control for maintaining the accuracy and integrity of general ledger accounts; verifying accounting transactional logic and accuracy of balances; and correcting existing errors in the general ledger account balances, and training staff in the proper implementation of accounting policies and procedures. In addition, we perform transaction analysis, transaction processing, data analysis and summarization, technical assistance in devising new or revised accounting policies and procedures, classifying accounting transactions, and conduct special studies to improve accounting operations.

- **Financial Statements Compilations**

LEC assist agencies in compiling financial statements (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources and Statement of Financing) that comply with the Statement of Federal Financial Accounting Standards; other generally accepted accounting principles; and agency policies and procedures, and train agencies staff in compilation of financial statements.

- **Auditability Assessment**

We perform assessment of agencies current financial statements, procedures and ability to produce auditable financial statements; develop audit milestones for each implementation task; assist agencies to “cleanse” system data; find suitable alternative solutions to support general ledger balances that no longer have supporting data; enhance the data collection and retention process; and provide recommendations in order that agencies can meet their goals of issuing financial statements that comply with Statement of Federal Financial Accounting Standards.

- **Credit Reform Accounting**

The Federal Credit Reform Act of 1990 (FCRA), as amended significantly changed the way federal government budget and accounts for its credit programs. Under the FCRA, agencies are required to budget for the direct loans and guarantee loans present value of expected long term subsidy cost to the federal government. LEC professionals assist agencies to assess data quality and key assumptions; test loan models; review backcast and sensitivity analysis; assess proprietary of OMB Subsidy Calculator options selected; compare results of modeling to general ledger entries and review disclosures for consistency with SFFAS Nos. 2 and 18.

- **Budgeting**

We assist agencies in assessment and improvement of the budget formulation and execution processes; conduct special reviews to resolve budget formulation or budget execution issues and provide technical assistance to improve budget preparation or execution processes.

## Past Performances

### **OFFICE OF THRIFT SUPERVISION**

Lani Eko & Company, CPAs, PLLC is engaged by the U.S. Department of Treasury, Office of Inspector General, as the auditor on the FYs 2011, 2010, 2009 and FY 2008 audits of the financial statements of the Office of Thrift Supervision, a component of the U.S. Department of Treasury. The engagement included evaluation of internal control structure and assessment of compliance with applicable laws and regulations. The audits were conducted in accordance with the following audit standards: Government Auditing Standards issued by the Comptroller General of the United States (yellow book); GAO/PCIE Financial Audit Manual, and applicable Office of Management and Budget Bulletin, *Audit Requirements for Federal Financial Statements*.

### **DEFENSE NUCLEAR FACILITY SAFETY BOARD**

Lani Eko & Company, CPAs, PLLC is engaged by DNFSB to perform audits of the financial statements for the fiscal years 2010, 2009 and 2008. The engagement included evaluation of internal control structure and assessment of compliance with applicable laws and regulations. The audit will be conducted in accordance with the following audit standards: Government Auditing Standards issued by the Comptroller General of the United States (yellow book); GAO/PCIE Financial Audit Manual, and applicable Office of Management and Budget Bulletin, *Audit Requirements for Federal Financial Statements*.

### **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES – Service and Supply Fund**

Lani Eko & Company, CPAs, PLLC is engaged to perform the audit of U.S. Department of Health & Human Services – Service & Supply Fund (SSF) consolidated Balance Sheet as of September 30, 2008, and an analysis of Retained Earnings as of September 30, 2008; and an audit of the Consolidated Balance Sheet as of September 30, 2009, and related Statements of Net Cost, Changes in Net Position; and analysis of Retained Earnings as of September 30, 2009. The audits will be conducted in accordance with the following audit standards and guidance: Government Auditing Standards issued by the Comptroller General of the United States (yellow book); GAO/PCIE Financial Audit Manual, and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. Accordingly, we will perform the following:

- Determine whether the basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- Obtain an understanding of the components of internal control and assess the level of control risk relevant to the assertions embodied in the classes of transactions, account balances, and disclosure components of the financial statements in accordance with paragraph 6.8 of the Bulletin.
- Obtain an understanding of the components of internal control relating to the existence and completeness assertions relevant to the performance measures included in the MD&A in accordance with paragraph 6.11 of the Bulletin.
- Perform tests of compliance with laws and regulations in accordance with paragraph 6.12 of the Bulletin.
- Prepare separate audit reports on the financial statements, internal control, and compliance with laws and regulations in accordance with Section 7 of the Bulletin.

**U.S. DEPARTMENT OF STATE**

Lani Eko & Company, CPAs, PLLC is under contract to provide audit and financial advisory services on the programs, activities and functions of the U.S. Department of State including Broadcasting Board of Governors, and other Federal entities under the authority of the Secretary of State (including U.S. embassies and consulates, U.S. sections of international organizations, and joint voluntary agencies). Specifically, LEC shall:

- Provide technical aid and training
- Perform financial audits, performance audits, indirect cost audits, special purpose audits, or expanded scope audits.
- Perform pre-award surveys, pricing reviews, quality control reviews, evaluations, analysis, and follow-ups.
- Conduct surveys, provide technical assistance, and prepare audit plans and reports.
- Perform other work under the Inspector General Act of 1978, the Foreign Services Act of 1980, and the Chief Financial Officers Act of 1990.

**U.S. DEPARTMENT OF EDUCATION**

Lani Eko & Company served as a subcontractor on the 2009, 2008, 2007, 2006 and 2005 CFO Act audits of the U.S. Department of Education (the Department). The audits were performed in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and applicable Office of Management and Budget Bulletin, *Audit Requirements for Federal Financial Statements*. At September 30, 2007, the Department had over 300 appropriations, total assets of \$230 billion, and budgetary resources of \$300 billion. Annually, the Department provides \$60 billion of grants to state and local education agencies; and \$85 billion of loans to students, parents and institutions under the Direct Student Loan Program, the Federal Family Education Loan Program, and the Facilities Loan Program.

Lani Eko, a key member of LEC's team, served as the Project Manager on the CFO Act audits of the Department for fiscal years 1999, 2000, 2001, 2002, 2003 and 2004. From 1998 through 2002, the Department faced similar issues confronting federal agencies today such as disclaimer or qualified audit opinions, material weaknesses or reportable conditions in internal control, restatement of prior years' financial statements balances. Working cooperatively with the Office of Inspector General and the Department's Office of the Chief Financial Officer, we identified several material weaknesses and reportable conditions, and recommendations which the Department was able to address. As a result, the Department received its first unqualified opinion from an IPA in 2002. In 2003, the Department became the first and only cabinet level agency awarded the President Award for Excellence in financial reporting, and the Department also met the accelerated reporting deadlines in FYs 2004 and 2003.

Also, Lani Eko served as the independent review manager on the financial advisory engagement to the Department. The purpose of the engagement was to evaluate the processes by which payments can be made by the Department and to determine if these processes were adequately controlled and effective. The engagement composed of three phases: a) identification of the 12 key payment processes (\$50 billion disbursed annually) by the Department employees; b) developing business process maps that

document each payment stream; and c) identification and reporting of opportunities for enhancement of controls and improved efficiencies in the identified payment streams. The engagement resulted in 12 reports documenting business process maps, observations, corrective actions and best practices.

### **U.S. DEPARTMENT OF ENERGY**

Lani Eko & Company is engaged by the U.S. Department of Energy – Office of Inspector General to perform agreed-upon-procedures addressing subgrantees' accounting for and use of Weatherization Assistance Program funds and State Energy Program funds provided by the Recovery Act. Specifically, we will determine whether: eligibility requirements are met; subgrantees complied with applicable regulations; costs were accurately reported; subgrantees were reimbursed for only allowable costs in accordance with applicable cost principles; Funds are being spent on eligible energy projects involving local stakeholders and private-sector partners; Subgrantees are spending available funds in accordance with project schedules and deadlines; and Recovery Act funds were properly accounted for, segregated, and reported. The audit is conducted in accordance with all applicable requirements, such as the standards applicable to agreed-upon-procedures attestation engagements contained in generally accepted *Government Auditing Standards (GAGAS)*, issued by the Comptroller General of the United States (the "Yellow Book"). Criteria for the audit include the: *Recovery and Reinvestment Act of 2009*; *Energy Policy Act of 2005*; *Energy Independence and Security Act of 2007*, *Weatherization Program Notices* and *State Energy Program Guidance* issued by the Office of Energy Efficiency and Renewable Energy's Office of Weatherization and Intergovernmental Programs, and the terms of the subgrant. In addition, allowable costs will be determined by applicable costs principles, such as OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* and OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, as well as the terms of the subgrant and applicable Program criteria.

The Department awards weatherization grants to States, the District of Columbia, and territories (grantees) based on an established formula. Grantees further award funds to local weatherization agencies (subgrantees) that perform or contract for weatherization work. Subgrantees must be public, non-profit, or community action agencies. The Weatherization Assistance Program has been assigned a significant role in the American Recovery and Reinvestment Act of 2009, Public Law 111-005 (Recovery Act). The Recovery Act provides \$5 billion for the Department's weatherization efforts, an unprecedented increase in funding over the Program's \$225 million annual funding level.

### **FEDERAL COMMUNICATIONS COMMISSION/UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**

The Federal Communications Commission (FCC) appointed the Universal Service Administrative Company (USAC) as the permanent administrator of the Universal Service Fund (USF) and the Universal Service Support Mechanisms as set forth in Title 47, Part 54, Section 701 of the Code of Federal Regulations.

Lani Eko & Company performed nation-wide audits of 15 Rural Health Care facilities and 23 state and local school districts that are beneficiaries of the Universal Service Fund and the Universal Service Support Mechanisms. The objectives of the audits were: (a) to provide an opinion as to whether the RHC are in compliance with FCC's rules and regulations governing the USF program, set forth in 47 CFR Part 54, relevant FCC orders, and USAC implementing procedures, (b) detect waste, fraud, and abuse by RHC, (c) identify areas for improvement in the administration of the Universal Service Support

Mechanism, and (d) identify improper payments made from the Universal Service Fund. The audits were conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **USDA – FARM SERVICE AGENCY**

Farm Service Agency has contracted with Lani Eko & Company for the following financial management support services:

#### ***Compilation of Financial Statements***

- Compile financial statements and footnotes in accordance with OMB Circular A-136, subsequent revisions and supplements to the bulletin by OMB or USDA, and changes to the FSA methodology, and other applicable criteria. The five required financial statements are the Balance Sheet and Related Notes, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing.
- Prepare a trial balance and set of double-entry journal vouchers supporting adjustments and reclassifications to the general ledger for the financial statements.
- Prepare cross-referenced workpapers and schedules documenting and supporting each line on the trial balance and clearly explaining the reasons for any journal voucher adjustments.
- Prepare cross-referenced work papers and schedules supporting each line item on principal financial statements or footnotes.
- Develop and complete a quality review process to ensure all data in the financial statements and footnotes is supported by the work papers and the trial balance, that common data elements appearing in more than one statement and/or footnotes are identical, and that revisions and changes are correctly posted to the work papers, trial balance, and financial statements and footnotes.
- Summarize elimination entries that identify transactions with other Federal agencies.
- Present the FSA financial statement data in other formats, including the input for USDA statements and the input for the Federal Agency Consolidated Trial Balance (FACTS) transmissions.

#### ***Tie-Point Project***

- The goals of Tie-Point Project are to: help agencies detect certain variances before they prepare and submit quarter-end or year-end accounting data; highlight new USSGL issues; help users gain a better understanding of USSGL-based accounting and reporting; and improve the integrity of data at the Government-wide level. We assisted FSA in validating tie-points and document specific exceptions.
- Develop, document and implement General Ledger (GL) review and analysis procedures on a monthly basis. The objectives of this work are to: sustain the integrity of the trial balance at the Treasury symbol level; ensure that all applicable account relationships are maintained; identify and

resolve issues at the Treasury symbol level; propose corrective action; and inform senior management of any underlying issues, findings, and adjustments; and revise financial statements and corresponding footnotes.

- Performed GL analysis and support including: accounts relationships, variance analysis, and program analysis.

#### ***Audit Resolution***

- Resolve Audit Findings, Adjust and Revise Financial Statements and Corresponding Footnotes.
- Resolve audit findings, proposed audit adjustments, revise the financial statements and footnotes as necessary, and make alterations to the financial statement development process.
- Implement revisions suggested by auditors due to: availability of additional information, changes in underlying data, or other changes necessary to avoid a qualification or an adverse opinion, or changes in the process by which financial statements are developed.
- Respond to auditors questions, through FSA staff, relating to the work performed by the contractor.
- Ensure that revisions are properly documented and all affected accounts are appropriately adjusted.
- Assist in implementing auditor revisions, and other recommended improvements, in the development process. This includes changes necessary to help the agency move towards receiving an unqualified opinion on the next set of financial statements.

#### ***Methodology for Compiling Financial Statements***

- Evaluate and analyze the existing financial statement and propose revisions for preparation of the FY 2007 FAS financial statements in accordance with regulatory requirements contained in OMB Circular A-136 and other relevant publications.
- Develop a detailed, step-by-step, written methodology (in written and electronic format) guide for financial statement compilation and footnotes preparation.

#### ***Review and Improve Financial Statement Process***

- Prepare report on the FY 2007 financial statement process, including a list of suggested improvements in statement preparation, data gathering, and statement compilation, for consideration by the FSA Financial Management Division.
- Make necessary adjustments to the financial statement process methodology using experience gained during the FY 2007 financial statement development process.
- Implement suggested improvements and monitor changes in the process.
- Document and update the Standard Operation Procedure (SOP) and make necessary adjustments to

the methodology using authoritative guidance, and implement suggested improvements and monitor changes in the process.

### U.S. DEPARTMENT OF DEFENSE

Lani Eko & Company, CPAs, PLLC is under a Blanket Purchase Agreement to support the Office of the Undersecretary of Defense (Comptroller), Defense Finance and Accounting Services and the Department of Defense activities. Specifically, LEC will provide support in the following areas:

- **Examination of Financial Management System Auditability:** The objective of these engagements is to assess whether the Financial Management System, which includes the Enterprise Resources System (ERP), will support an unqualified audit opinion. LEC will perform an examination to determine whether management's assertion that these portions of the entity are auditable. The scope of the examination will be determined in accordance with the Government Accountability Office/President's Council on Integrity and Efficiency (GAO/PCIE) Financial Audit Manual.
- **Audit Readiness Validation Examination:** The objectives are to determine whether management's assertion of audit readiness of a specified element, account, line item or financial statement is fairly stated in all material respects; and to obtain sufficient information about any deficiencies discovered during the engagement and detailed recommendations that, when implemented, will result in the specified element, account, being audit ready. LEC will perform an examination in accordance with, *Government Auditing Standards*, and the Statements on Standards for Attestation Engagements (SSAE), specifically AT Section 101, *Attest Engagement*.
- **Audit:** The objective of the audit will be to determine if the specified element, account, line item or financial statement presents fairly, in all material respects, the balance of the specified element, account, line item or financial statement. LEC will perform an audit of a specified element, account, line item or financial statement in accordance with, SAS 62, *Special Reports* (AICPA Codification of Statements on Auditing Standard (AU) Section 623, *Special Reports*); *Government Auditing Standards, July 2007 Revision* (GAO-07-731G), and the GAO/PCIE *Financial Audit Manual*.

### U.S. DEPARTMENT OF TREASURY

Lani Eko & Company, CPAs, PLLC (LEC) was awarded a contract for services to support the U.S. Department of Treasury, Office of Financial Stability (OFS) and other Treasury financial programs and initiatives. The services under this contract include:

- **Accounting Services**  
LEC will support U.S. Treasury's management and staff in recording, reconciling, and reporting financial transactions in conformance with generally accepted accounting principles. The requirements address the provisions of providing accounting support and assistance to achieve and maintain an unqualified financial statement audit opinion surrounding activities such as: a) credit reform accounting and modeling; b) budgeting; c) internal accounting controls; and d) accounting considerations for financial institutions.
- **Internal Controls**  
LEC will support U.S. Treasury's management and staff with: a) developing and sustaining a robust internal control program; b) maintaining/achieving unqualified statements of assurance of

internal control processes; c) responding to internal and external auditor, reviewer, and oversight bodies; d) providing recommendations specific to enhancing internal controls; e) developing frameworks and plans to identify, document, test, and amend controls; f) identifying, managing, and mitigating risks; and g) managing asset-related activities.

- **Program Compliance**

Supporting U.S. Treasury's management in the areas of designing, implementing, maintaining, and executing a robust compliance management regime in support Treasury programs and processes. LEC shall provide overall support to ensure compliance with applicable laws, regulations, legal agreements, and business documents.

- **Systems - Requirements, Life-Cycle Planning, Development, and Independent Verification and Validation (IV&V)**

LEC will support U.S. Treasury in managing, developing, designing, documenting, testing, deploying, operating, and maintaining systems associated with managing Treasury programs and operational activities. This support shall include a reasonable assurance that the system, as defined, complies with all applicable laws and regulations, including controls around handling personally identifiable information and which include the ability to perform auditable and reportable quality control edits. LEC shall assist with the planning, design, development, and integration of business and functional systems in support of Treasury operations. Upon system deployment, LEC shall assist with regular review and planned/ad-hoc system upgrades as needed.

- **Organizational Design and Maintenance**

LEC will support Treasury's management and staff in the design, development, maintenance, and socialization of organizational and operational models and structures; job descriptions and core competencies; and, policies and procedures. This includes making recommendations based on research and knowledge of best practices and assisting management with documenting, maintaining, and socializing business processes, information technology upgrades, and implementation of new systems to support organizational re-engineering.

## **FEDERAL STUDENT AID**

One of the most significant provisions of the 1998 Reauthorization of the Higher Education Act was the creation of a Performance Based Organization, Federal Student Aid (FSA), within the U.S. Department of Education (the Department). FSA is a discrete management unit responsible for managing the operational functions supporting the Title IV programs (Title IV covers all operations dealing with post-secondary institutions, including FFEL Program loans, direct loans, Pell grants, etc.). The U.S. Department of Education, Office of Inspector General engaged LEC to evaluate the appropriateness and effectiveness of internal control over selected aspects of FSA operations, in accordance with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* and *Internal Control Management and Evaluation Tool* and the Office of Management and Budget's (OMB) Circular A-123, *Management's Responsibility for Internal Control*, and internal controls generally.

The engagement covers the following FSA's operations that are considered highest priority for internal control reviews:

- Federal Family Education Loan (FFEL) Program Lender Oversight – Evaluation of FSA's controls to ensure that lenders are performing in accordance with relevant laws, regulations, and guidance, and lender billings are accurate.
- FFEL Program Guaranty Agency Oversight – Evaluation of FSA's controls to ensure that guaranty agencies are performing in accordance with relevant laws, regulations, and guidance, and guaranty agency billings are accurate.
- FFEL Program Loan Servicer Oversight – Evaluation of FSA's controls to ensure that loan servicers are performing in accordance with relevant laws, regulations, and guidance, and that loan collections are maximized.
- FFEL & Direct Loan Programs Loan Consolidation Oversight – Evaluation of FSA's controls over the consolidation process to ensure loans are consolidated in accordance with laws, regulations, and guidance.
- Pell Grant Program Oversight – Evaluation of FSA's controls to ensure that institutions and contractors appropriately administer the Pell Grant Program.
- Direct Loan Program Oversight – Evaluation of FSA's controls to ensure that institutions and contractors appropriately administer the Direct Loan Program.
- FFEL and Direct Loan Programs Oversight of Collection Agency Contractors – Evaluation of FSA's controls over the collection agency contractors to ensure that the contractors are performing in accordance with laws, regulations, and guidance, and as required by the contracts.

## U.S. DEPARTMENT OF JUSTICE

LEC is assisting the U.S. Department of Justice in implementing the requirements of **OMB Circular A-123, Appendix A-Internal Control over Financial Reporting**. Functions performed include: documentation of controls that have direct and material effect on financial reporting, control techniques, and compensating controls, b) assessment of internal control, c) documentation of management methodology for supporting assertion as to effectiveness of internal control, and d) testing of controls to ensure that they are in place and operating as intended.

LEC's professionals have gained experience through direct knowledge of providing similar services to federal agencies and departments. We have assisted in assessing risks, planning monitoring and developing testing, developing documentation standards, identifying key controls, control techniques and compensating controls, and assessing effectiveness of controls.

## U.S. DEPARTMENT OF TREASURY – Office of Financial Stability

Lani Eko & Company served as subcontractor on a U.S. Department of Treasury, Office of Financial Stability (OFS) accounting support services for the Federal Trouble Asset Relief Program (TARP). We assisted in drafting of the OFS Credit Reform Accounting Procedures, general ledger accounts created for Transactions Under the TARP, OFS Financial Reporting Position Paper #09-01, Accounting for Certain TARP Transactions, Accounting for Direct Loan and Guarantee Loan Transactions under Credit Reform, OFS Management Assurance statement for the MDA, and Internal Controls Sub-Certification

Checklist. Also, we performed reconciliations to ensure that all the transactions data in the Central Data Repository oracle were prepared and included in the OFS financial statements.

Also, LEC is a teaming member in documenting and testing internal control for the U.S. Department of Treasury, Office of Financial Stability (OFS). LEC personnel performed tests of controls over significant accounting cycles and compliance with laws and regulations that have direct and material effect on amounts in the financial statements.

#### **USDA – Natural Resources Conservation Service (NRCS)**

Lani Eko & Company is the primary subcontractor on a Financial Audit Remediation service to assist NRCS in identifying and correcting deficiencies; updating and documenting procedures; providing appropriate training to sustain the long-term effect of the improvements, identifying best practices, and help to position NRCS for auditability by FY 2011. We will clean-up financial and administrative information to improve accuracy and reliability of financial statements; formulate recommendations to further improvement in the NRCS financial management process; develop recommendation of procedures needed to improve efficiency, correct deficiencies, and comply with accounting and auditing standards; develop standardized process for financial operations and train NRCS employees in the implementation of procedures and process.

#### **U.S. DEPARTMENT OF TRANSPORTATION – Federal Highway Administration**

Lani Eko & Company served as a subcontractor on the 2005 CFO Act audit of the Federal Highway Administration (FHWA). The audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and applicable Office of Management and Budget Bulletin. LEC staff served in supervisory positions on the FHWA audit and primary responsibilities included planning and supervision of the following audit areas: Fund Balance with Treasury, Investments, PP&E, Loans Receivable, Debt to Treasury, Statement of Budgetary Resources, and Statement of Financing.

#### **FEDERAL COMMUNICATIONS COMMISSION – Travel and Purchase Card Program**

Lani Eko & Company, CPAs, PLLC is engaged by the Office of Inspector General, Federal Communications Commission (FCC), to conduct performance audit of the FCC's Travel and Purchase Card Programs for the fiscal year 2009. This audit will examine the FCC's travel and purchase card programs' compliance with GSA directives, Federal Travel Regulation, and purchase card regulation. The audit shall include an evaluation of the internal controls for both programs. Another applicable compliance requirement for these two programs is to determine whether expenditures funded by the American Recovery and Reinvestment Act (Act) were awarded and administered in compliance with provisions of the Act. As part of the performance audit, we:

- Evaluated the design and implementation of internal controls for the FCC's travel card and purchase card programs.
- Determined if internal controls for travel card and purchase card programs were adequate to ensure that transactions were properly authorized; adequately documented; and properly accounted for.
- Test travel card and purchase card transactions to ensure that they were properly authorized; adequately documented; properly accounted for; and for appropriate, legitimate business purposes.

- Determined if the FCC travel card and purchase card programs are being effectively managed using guidance and best practices provided in OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs.
- Determined that expenditures funded by the American Recovery and Reinvestment Act (Act) were awarded and administered in compliance with provisions of the Act.

The performance audit was conducted in accordance with Government Auditing Standards. The execution of the engagement requires knowledge and experience with the following federal laws, guidelines and regulations: The American Recovery and Reinvestment Act of 2009; Federal Acquisition Regulation; Federal Travel Regulation; The Travel and Transportation Reform Act of 1998 (Public Law 105-264); GSA SmartPay@2 charge card program ; OMB Circular A-123, Management's Responsibility for Internal Controls; and OMB Memorandum 09-15, Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009 .

### **U.S. DEPARTMENT OF VETERANS ADMINISTRATION**

Lani Eko & Company performed nation-wide audits of the seven (7) VA Consolidated Mail Order Pharmacy (CMOP) facilities. The objectives of the audits were to assist management in reviewing, analyzing and evaluating its accounting records, financial procedures and internal controls. The audits were conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **U.S. DEPARTMENT OF AGRICULTURE – Foreign Agriculture Services (USDA-FAS)**

Lani Eko & Company was engaged by the U.S. Department of Agriculture – Foreign Agriculture Service to perform agreed upon procedures to assist USDA-FAS in evaluating the information on the PowerTrack, a payment system of the U.S. Bank, for the period October 1, 2004 through September 30, 2007. In addition, we were requested to make recommendations on: 1) whether USDA-FAS should use PowerTrack auto-approval functions, 2) whether USDA-FAS should expand the usage of PowerTrack to the other Food Aid programs, and 3) a plan for how on-going review of PowerTrack should be conducted. The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the Government Auditing Standards, issued by the Comptroller General of the United States.

### **FEDERAL COMMUNICATIONS COMMISSION – Property Management Systems**

Lani Eko & Company is engaged by the Office of Inspector General, Federal Communications Commission (FCC), to perform program audit of the FCC's compliance with the Financial Systems Integrations Office, FSIO, (formerly Joint Financial Management Improvement Program) Federal Financial Management System Requirements for Property Management Systems. Federal agency property management systems are critical for establishing financial accounting and maintaining physical accountability over property. Such systems assist property managers in managing their property in accordance with missions, roles, and regulations established by Congress.

The engagement was conducted in accordance with Government Auditing Standards. The execution of the engagement requires knowledge and experience with various federal guidelines and initiatives

including: Publication Number JFMIP-SR-00-04, dated October 2000, titled “Property Management Systems Requirements”; OMB Circular A-123; OMB Circular A-127; GAO Property Management Systems Requirements Checklist; U.S. General Services Administration’s Federal Personal Property Desk Reference; GAO Acquisition/Financial Systems Interface Requirements; and GAO Inventory System Checklist.

## Appendix

- AICPA PEER REVIEW LETTER

# **Benjamin & Associates LLC**

## **Certified Public Accountants**

### System Review Report

September 25, 2009

Review Number 281055

To the Managing Member of Lani Eko & Company, CPAs, PLLC  
And the Peer Review Committee of the VSCPA

We have reviewed the system of the quality control for the accounting and auditing practice of Lani Eko & Company, CPAs, PLLC (the firm) in effect for the year ended April 30, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm 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 the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included (engagements performed under the Government Auditing Standards, and Attestations).

In our opinion, the system of quality control for the accounting and auditing practice of Lani Eko & Company CPAs, PLLC in effect for the year ended April 30, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency or fail. Lani Eko & Company, CPAs, PLLC has received a peer review rating of pass.

Benjamin and Associates, LLC  
Certified Public Accountants  
Firm Number 4169245

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