

LANI EKO & COMPANY, CPAs, PLLC

Statement of Capabilities

Auditing, Accounting, Internal Control Reviews
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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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>GSA FABS 520: GS23F0016T</p> <ul style="list-style-type: none"> ▪ 520-7 Financial and Compliance Audits ▪ 520-11 Accounting ▪ 520-13 Complementary Financial Management Services <p>GSA Advantage! http://www.gsaadvantage.gov</p>	<p>NAVY SEAPORT: N00178-09-D-5764</p> <p><i>Functional Areas:</i></p> <ul style="list-style-type: none"> ▪ 3.12–Information System Development, Information Assurance, IT Support ▪ 3.18 – Training Support ▪ 3.20 - Program Support ▪ 3.21 - Functional and Administrative Support <p><i>Geographical Zones:</i></p> <ul style="list-style-type: none"> ▪ Zone 1 – Northeast ▪ Zone 2 – National Capital ▪ Zone 3 – Mid Atlantic
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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, assessments of compliance with laws and regulations, evaluations 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 is dedicated to efficient provision of administrative assistance, providing the maximum logistic support possible to ensure that valuable advisory time is dedicated to the attainment of an engagement's 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 and 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 the dedication and commitment of our management and staff, our firm adheres to the most rigorous criteria of our profession as established by the 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's diverse professional services 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 performs audits to recover funds resulting from overpayments, duplicate payments and underpayments.

- **OMB Circular A-123 Compliance**

The passage of the Sarbanes-Oxley Act of 2002 (SOX) has refocused the attention of federal agencies and departments to reevaluate current policies relating to internal control over financial reporting and related management responsibilities. To apply the requirements of SOX to the Federal arena, Office of Management and Budget (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 a) 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; b) requiring that management performed monitoring activities that include direct testing of controls as part of the assessment process; and c) requiring a separate assurance statement from management concerning 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 a one size fits all approach; therefore our professionals assist federal agencies and departments in developing Corrective Action Plans that meet their unique needs.

- **Contract, Grant, and Cost Proposal 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 allocation 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 the Accounting Guide for Government Contracts, Federal Acquisition Regulations, and Cost Accounting Standard Board Rules and Regulations.

- **Accounting and Reconciliation 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 Statement of Federal Financial Accounting Standards (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; 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, and provide technical assistance in devising new or revised accounting policies and procedures, classifying accounting transactions, and conducting special studies to improve accounting operations.

- **Financial Statements Compilation**

LEC assists agencies in compiling financial statements that comply with the SFFAS, other generally accepted accounting principles, and agency policies and procedures; and trains agencies' staff in compilation of financial statements.

- **Auditability Assessment**

We perform assessments 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 so that agencies can meet their goals of issuing financial statements that comply with the SFFAS.

- **Credit Reform Accounting**

The Federal Credit Reform Act of 1990 (FCRA), as amended, significantly changed the way the federal government budgets and accounts for its credit programs. Under the FCRA, agencies are required to budget for the present value of expected long term subsidy costs to the federal government, associated with direct loans and guaranteed loans. LEC professionals assist agencies

to assess data quality and key assumptions, test loan models, review backcast and sensitivity analyses, assess propriety 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.

Why Use Lani Eko & Company?

The Best People

LEC is not a manufacturer of goods. We are a service provider. As a result, we recognize since the founding of our firm that our people are our greatest resources. At LEC, we nurture a healthy, creative, respectful, and pleasant environment. The foundation of our success is our people and the spirit of cooperation for the good of the company, its employees and customers. Our team consists of seasoned and dedicated federal financial management professionals, who have been both technical specialists in “Big 4” accounting firms and senior managers within federal agencies and departments. LEC’s staff possesses a unique combination of essential skills related to Federal financial statement and audit preparation, accounting and reconciliations, OMB A-123 implementation, credit reform issues, budget preparation and execution policies and practices, training and other related areas derived from years of experience serving Federal clients. Our staff understands the federal financial management arena, and knows how to execute an assignment with maximum efficiency.

We Value Quality

At LEC, we understand our core values and business. The values of LEC are reflected in our motto “Quality Nurtured by Leadership and Integrity”. Our values are built on the concept of customer service, innovation, teamwork and experience. Our primary business is providing assurance and financial advisory services to federal agencies and departments. We do not purport to be everything to everyone. We strive to understand our clients’ business and needs, which is why we recruit candidates who have the best combination of experience, skills and cultural fit. Our senior management fosters these values through a cooperative management style reinforced through project management leadership. LEC has a proven track record of accomplishments at federal agencies; we are committed to the success of these agencies, and to developing relationships that bring a strong value proposition to our federal clients.

Outstanding Federal Knowledge

LEC is fundamentally different and better than our competition in that our team has a long track record of accomplishments servicing federal agencies and departments. Our team has broad knowledge and understanding of federal financial management initiatives, federal budgetary accounting and proprietary accounting. Our team has assisted federal agencies and departments in complying with federal financial management initiatives, resolving audit findings and recommending solutions to complex accounting issues. LEC through its combination of people, experience, knowledge, and proven service delivery, is uniquely qualified to successfully execute federal assignments.

Unsurpassed Service Delivery

LEC's success is intrinsically linked with our clients. By employing and retaining seasoned staff who understand the federal financial management arena, investing in knowledge and technology, operating our firm within the framework of the AICPA and Government Accountability Office professional standards, and recognizing that we need to be flexible and innovative in offering solutions that will meet the needs of our clients today and tomorrow, we consistently strive to provide unsurpassed service delivery.

Past Performances

OFFICE OF THRIFT SUPERVISION

Lani Eko & Company, CPAs, PLLC was 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 was engaged by DNFSB to perform audits of the financial statements for the fiscal years 2011, 2010, 2009 and 2008. The engagement included evaluation of internal control structure and assessment of compliance with applicable laws and regulations. The audit was 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 was 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, an analysis of Retained Earnings as of September 30, 2008; 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 were 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 performed the following:

- Determined whether the basic financial statements were fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.
- Obtained an understanding of the components of internal control and assessed 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.
- Obtained an understanding of the components of internal control relating to the existence and completeness of assertions relevant to the performance measures included in the Management's Discussion & Analysis (MD&A) in accordance with paragraph 6.11 of the Bulletin.
- Performed tests of compliance with laws and regulations in accordance with paragraph 6.12 of the Bulletin.

- Prepared separate audit reports on the financial statements, internal controls, and compliance with laws and regulations in accordance with Section 7 of the Bulletin.

U.S. DEPARTMENT OF EDUCATION

Lani Eko & Company served as a subcontractor on the FYs 2011, 2010, 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*.**

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 issues similar to those confronting federal agencies today, such as disclaimer or qualified audit opinions, material weaknesses or reportable conditions in internal control, and restatement of prior years' financial statement 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 2003 and 2004.

U.S. Department of Agriculture – FOREIGN AGRICULTURE SERVICE

Lani Eko & Company (LEC) assisted the Foreign Agriculture Service (USDA-FAS) in complying with the requirements of OMB Circular A-136, *Financial Reporting Requirements*, subsequent revisions and supplements to the bulletin by OMB or USDA, and changes to the FSA methodology, and other applicable criteria. Specific tasks included developing and completing a quality review process to confirm that the data in the General Ledgers (GL) are appropriately documented and supported, and transactions were correctly posted. LEC also developed, documented, and implemented monthly GL reviews and analysis procedures. The objectives of this work were to sustain the integrity of the trial balance at the Treasury symbol level, confirm that fund balance transactions are reconciled to Treasury records and the GL, resolve differences in undelivered orders, 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. LEC also supported USDA-FAS with resolving findings, proposing adjustments, and revising the accounts balances as necessary. When needed, LEC reviewed and updated the Standard Operation Procedures making necessary adjustments to the methodology using authoritative guidance, implementing suggested improvements, and monitoring changes in the process.

Also, LEC provided financial management support for USDA-FAS, specifically, implementing the requirements of **OMB Circular A-123, *Appendix A-Internal Control over Financial Reporting***. LEC assisted with documenting cycle memos and testing internal controls for the Financial Reporting, Funds Control and Reimbursable Agreement business processes. We assisted USDA - FAS in meeting the requirements by updating understanding of major controls over significant accounting processes and

accounts, updating cycle memos and testing internal controls for the Financial Reporting, Fund Balance with Treasury and Reimbursable Agreement business processes.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Lani Eko & Co. is engaged by the U.S. Agency for International Development (USAID) to support financial accounting services including:

- Prepare the quarterly and year-end financial statements and assist USAID in the completion of FACTS II transmission, closing package, and other required year-end reports to achieve and maintain an unqualified opinion. Prepare the CFO-related adjustments for posting into the accounting system, providing supporting documentation.
- Assist USAID in compiling data from sources outside of the general ledger, including PP&E, non-loan receivables, overseas foreign currency accounting, workmen's compensation and retirement information, and outstanding IPAC transactions by implementing enhanced data collection techniques. These data collection processes required facilitation through the implementation and maintaining of electronic repositories to store financial information.
- Prepare analytical procedures using FMS Tiepoint to evaluate relationships between budgetary and proprietary accounts, and identifying, researching and correcting errors.
- Assist in reviewing and assessing reasonableness of accrual entries.
- Perform reconciliations of the following areas: Fund Balance with Treasury, budgetary and IPAC suspense accounts, letter of credit grants, tie point and abnormal balances, adjusting journal entries, accounts receivable, loan management, payroll, intragovernmental transactions, FACTS II edit verifications, and budgetary obligation and unapportioned availability.
- Develop Fund Balance with Treasury procedures that encompass preparing the SF 224, resolving differences identified on the TFS 6652, and performing IPAC reconciliations.
- Reconcile and resolve differences in intra-governmental transactions with trading partners including USDA, U.S. Department of State, and U.S. Department of Treasury.
- Develop the annual OMB Exhibit 300 capital asset plan/business case for the USAID's Phoenix investment, as required by OMB Circular A-11.
- Assist in the remediation of A-123 and auditor-identified weaknesses and support the OMB Circular A-123, Appendix A team with planning, process and controls documentation, test plans development and execution, and analysis of results at USAID.
- Provide support on the OIG audit of the financial statements including gathering of PBCs and assisting with clarifying accounting treatments that support recorded transactions.
- Provide regular status reports to USAID management by conducting CFO management briefings to discuss various aspects of the financial statements, audit findings, and related financial improvement tasks.

USDA – COMMODITY CREDIT CORPORATION

Lani Eko & Company is engaged by the USDA Commodity Credit Corporation (USDA CCC) to provide financial accounting support including compliance with OMB Circular A – 136, FFMIA, FMFIA and FISMA. Specifically,

- Support the accounting functions by assisting USDA – CCC to capture and record accounting transactions in a timely, accurate manner and in compliance with FASAB pronouncements and relevant guidance by OMB and U.S. Department of Treasury in order to generate a comprehensive trial balance that can be relied on in the preparation of financial reports. LEC also assists with the fundamental accounting tasks at CCC related to month-end and quarter-end close journal preparation.
- Assist USDA – CCC to compile complete, accurate, and reliable quarterly and year-end financial statements and reports in accordance with the regulatory requirements and issued guidance of authoritative bodies such as FASAB, Treasury and OMB. In order to accomplish this, LEC relies on the GL and the data integrity process, and applies relevant accounting policies and standards. We work with CCC to review mandates and requirements related to federal financial reporting.
- Assist in reviewing and analyzing the general ledger and accounting requirements that support CCC’s business processes, we research and share with the government staff, who will then apply authoritative guidance, while monitoring the issuance of new accounting standards or updates to existing guidance and documenting the impact on the financial statements.
- Assist in audit resolution to remediate weaknesses and deficiencies identified by the auditors during the audit. During the audit, LEC assists and guides government staff in responding to audit inquires and liaises with the auditors as necessary. The audit results and recommendations from the audit report will be used to develop corrective actions as well as incorporate improvements to existing processes.
- Assist in Methodology and Process Improvement by continuous document review to improve the USDA - CCC’s processes. LEC leverages our industry knowledge to develop methodologies and improve existing processes in an effort to strengthen controls.

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 Department’s 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 covered the following FSA 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 were performing in accordance with relevant laws, regulations, and guidance, and lender billings were accurate.
- FFEL Program Guaranty Agency Oversight – Evaluation of FSA’s controls to ensure that guaranty agencies were performing in accordance with relevant laws, regulations, and guidance, and guaranty agency billings were accurate.
- FFEL Program Loan Servicer Oversight – Evaluation of FSA’s controls to ensure that loan servicers were performing in accordance with relevant laws, regulations, and guidance, and that loan collections were maximized.
- FFEL Program Loan Consolidation Oversight – Evaluation of FSA’s controls over the consolidation process to ensure loans were consolidated in accordance with laws, regulations, and guidance.
- FFEL Program Oversight of Collection Agency Contractors – Evaluation of FSA’s controls over the collection agency contractors to ensure that the contractors were performing in accordance with laws, regulations, and guidance, and as required by the contracts.

USDA – FARM SERVICE AGENCY (FSA)

FSA engaged Lani Eko & Company to provide support to USDA Farm Service Agency, Kansas City Commodity Office (KCCO) assessment of KCCO’s Commodity Procurement Business Process in the Web Based Supply Chain Management System (WBSCM) environment. LEC assisted the KCCO in the preparation of cycle documentation which provided a narrative of the business process, identified key automated and manual control points, developed flow diagrams charted to the descriptive narrative; and developed control tests for the identified key controls. Specifically, TEAM LEC performed the following tasks:

A. Phase I - Business Process Design

- Reviewed the adequacy and accuracy of prior years' Commodity (Inventory) Management Cycle business process narratives, flow diagrams, business process controls and test plans.
- Updated these documents as needed for a separate Commodity Procurement Cycle, incorporating the WBSCM System, SAP Enterprise Resource Planning implementation and related processes.

B. Phase II - Operating Effectiveness Testing and Review

- Executed testing of key internal controls and summarized test results for the Commodity Procurement Cycle impacting financial reporting.
- Identified and evaluated the control weaknesses resulting from testing and provided advice on remediation strategies and approaches.

LEC performed the engagement in accordance with the **Office of Management and Budget’s (OMB) Circular A-123, Management’s Responsibility for Internal Control.**

OFFICE OF PERSONNEL MANAGEMENT

LEC performed reviews of the non-financial internal controls over the reimbursable services provided by Office of Personnel Management - Human Resources Solutions (HRS) and Federal Investigative Services (FIS). The objectives of the review of non-financial controls were to determine whether (1) the assessable units within HRS (Human Resources Tools and Technology, Leadership and Human Resources Development Solutions, Staff Acquisition) and FIS (Mission, Business Management, Quality Management and Contract Management) are appropriately defined; (2) controls within each assessable unit exist, are sufficient and are operating as intended in compliance with *OMB Circular A-123, Section II and Section III*; (3) management controls are adequate to ensure that the delivery of work products and services is on-time and within budget; (4) there are gaps or weaknesses in internal control and (5) an adequate quality assurance process exists, sufficient and operating as intended to assure compliance with internal control objectives.

U.S. DEPARTMENT OF JUSTICE

From 2005 to 2010, LEC was part of the team that assisted 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: a) 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.

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 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 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 the U.S. Treasury's management in the areas of designing, implementing, maintaining, and executing a robust compliance management regime in support of 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 the 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 includes 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 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. Annually, USAC disburses over \$2.5 billion to state and local school districts and Rural Health Care (RHC) facilities.

Lani Eko & Company, CPAs, PLLC performed nation-wide audits of 15 Rural Health Care facilities and 20 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.**

U.S. DEPARTMENT OF ENERGY

LEC 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 the \$5 billion Weatherization Assistance Program funds and State Energy Program funds provided by the Recovery Act. Specifically, for five (5) subgrantees, we determined whether eligibility requirements were met, subgrantees complied with applicable regulations, costs were accurately reported, subgrantees were reimbursed only for allowable costs in accordance with applicable cost principles, funds were spent on eligible energy projects involving local stakeholders and private-sector partners, subgrantees were spending available funds in accordance with project schedules and deadlines, and Recovery Act funds were properly accounted for, segregated, and reported. The engagement was 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 ("Yellow Book"**, and guidance contained in ***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 sub-grant and applicable program criteria.

FEDERAL COMMUNICATIONS COMMISSION – Property Management Systems

Lani Eko & Company, CPAs, PLLC was engaged by the Office of Inspector General, Federal Communications Commission (FCC), to perform a 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, Financial Management Systems; 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.***

FEDERAL COMMUNICATIONS COMMISSION – Travel and Purchase Card Program

Lani Eko & Company, CPAs, PLLC was engaged by the Office of Inspector General, Federal Communications Commission (FCC), to conduct the program audit of the FCC's Travel and Purchase Card Programs for the fiscal year 2009. This audit examined the FCC's travel and purchase card

programs' compliance with GSA directives, Federal Travel Regulation, and guidance and best practices provided in *OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs*.

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

Lani Eko & Company, CPAs, PLLC 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 transaction data in the Central Data Repository Oracle was prepared and included in the OFS financial statements.

Also, LEC was a teaming member of PwC 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, CPAs, PLLC was 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 helping to position NRCS for auditability by FY 2011. We cleaned up financial and administrative information to improve accuracy and reliability of financial statements, formulated recommendations to further improve the NRCS financial management process, developed recommendations on procedures needed to improve efficiency, corrected deficiencies, complied with accounting and auditing standards, developed standardized processes for financial operations and trained NRCS employees in the implementation of procedures and process.

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.

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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