

March 25, 2015

System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of Commerce



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

**System Review Report on the Audit Organization of the
Office of Inspector General for the U.S. Department of Commerce**



**Conducted in Washington, DC, by the
Office of Inspector General for the
Board of Governors of the Federal Reserve System and the
Consumer Financial Protection Bureau**

**20th Street and Constitution Avenue NW
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Washington, DC 20551**

**Mark Bialek, Inspector General
Vera J. Garrant, Team Captain**

March 25, 2015



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU
WASHINGTON, DC 20551

March 25, 2015

The Honorable Todd J. Zinser
Inspector General
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

SUBJECT: *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of Commerce*

Dear Mr. Zinser:

Attached is the External Peer Review Report on the audit organization of the Office of Inspector General for the U.S. Department of Commerce, conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

Mark Bialek
Inspector General

Attachment



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The Honorable Todd J. Zinser
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1401 Constitution Avenue NW
Washington, DC 20230

SUBJECT: *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of Commerce*

Dear Mr. Zinser:

We have reviewed the system of quality control for the audit organization of the Office of Inspector General (OIG) for the U.S. Department of Commerce (Commerce) in effect for the year ended September 30, 2014. The system of quality control encompasses the Commerce OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*.¹ The elements of quality control are described in *Government Auditing Standards*. The Commerce OIG is responsible for establishing and maintaining a system of quality control that is designed to provide it with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Commerce OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.² During our review, we interviewed Commerce OIG personnel and obtained an understanding of the nature of the Commerce OIG audit organization and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with the Commerce OIG's system of quality control. The audits selected represent a reasonable cross-section of the Commerce OIG audit organization, with an emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with Commerce

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1. The Comptroller General of the United States issued the current version of *Government Auditing Standards* in December 2011.
 2. The current version of the *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* was issued in September 2014.

OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the Commerce OIG audit organization. In addition, we tested compliance with the Commerce OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Commerce OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

The attachment to this report identifies the Commerce OIG audits that we reviewed and presents our scope and methodology.

In our opinion, the system of quality control for the audit organization of the Commerce OIG in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the Commerce OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive an external peer review rating of *pass*, *pass with deficiencies*, or *fail*. The Commerce OIG has received a rating of *pass*.

As is customary, we issued a letter, dated March 25, 2015, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing the Commerce OIG's system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency related to the Commerce OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract, where the IPA served as the auditor. It should be noted that the monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the Commerce OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an

opinion, and accordingly, we do not express an opinion, on the Commerce OIG's monitoring of work performed by IPAs.

Sincerely,



Mark Bialek
Inspector General

Attachment

Attachment

Scope and Methodology

We tested compliance with the Commerce OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 18 audit reports issued during the period October 1, 2013, through September 30, 2014. We also reviewed 17 reports, issued from October 2011 through November 2014, that were generated by Williams, Adley & Company – DC, LLC, a certified public accounting and management consulting firm with whom the Commerce OIG contracted for internal quality control reviews. We reviewed the contractor's working papers supporting its review of the *Excess Equipment, Weaknesses in Inventory Management, and Other Issues in BTOP Infrastructure Projects* performance audit to determine the sufficiency of the procedures used.

In addition, we reviewed the Commerce OIG's monitoring of audits performed by IPAs where the IPA served as the auditor for the audit of its agency's fiscal year 2013 financial statements.

Commerce OIG Performance Audits Reviewed

Report no.	Report date	Report title
OIG-14-023-A	June 25, 2014	Excess Equipment, Weaknesses in Inventory Management, and Other Issues in BTOP Infrastructure Projects
OIG-14-025-A	July 15, 2014	Significant Security Deficiencies in NOAA's Information Systems Create Risks in Its National Critical Mission
OIG-14-028-A	September 4, 2014	BIS' Implementation of Export Control Reform Requires Several Improvements to Address Challenges

Commerce OIG Monitoring Files of Contracted Audits Reviewed

Report no.	Report date	Report title
OIG-14-007-A	December 16, 2013	FY 2013 Consolidated Financial Statements Audit