



# Office of Inspector General

## U.S. Small Business Administration

System Review Report

March 23, 2021

Peggy E. Gustafson, Inspector General  
U.S. Department of Commerce  
Office of Inspector General

We have reviewed the system of quality control for the audit organization of the U.S. Department of Commerce Office of Inspector General (DOC OIG) in effect for the year ended September 30, 2020. A system of quality control encompasses the DOC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of DOC OIG in effect for the year ended September 30, 2020, has been suitably designed and complied with to provide DOC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of pass, pass with deficiencies, or fail. DOC OIG has received an External Peer Review rating of pass.

### **Monitoring of GAGAS Engagements Performed by Independent Public Accountants**

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to DOC OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*.

The purpose of our limited procedures was to determine whether DOC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on DOC OIG's monitoring of work performed by IPAs.

### **Basis of Opinion**

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed DOC OIG personnel and obtained an understanding of the nature of DOC OIG's audit organization, and the design of DOC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS

engagements and administrative files to test for conformity with professional standards and compliance with DOC OIG's system of quality control. The audits selected represented a reasonable cross section of DOC OIG's audit organization, with emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for DOC OIG's audit organization. In addition, we tested compliance with DOC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DOC 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.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with DOC OIG's management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies DOC OIG offices that we visited and the engagements we reviewed.

### **Responsibilities and Limitation**

DOC OIG is responsible for establishing and maintaining a system of quality control designed to provide DOC OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and DOC OIG's compliance based on our review.

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.

A handwritten signature in black ink, appearing to read 'Hannibal Ware', with a large, stylized initial 'H'.

Hannibal "Mike" Ware  
Inspector General

Enclosure

## Scope and Methodology

We tested compliance with the DOC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of six of 17 audit reports issued from October 1, 2019, through September 30, 2020. We also reviewed the internal quality control reviews performed by DOC OIG.

In addition, we reviewed the DOC OIG's monitoring of a GAGAS engagement performed by IPAs where the IPA served as the auditor from October 1, 2019, through September 30, 2020. During the period, the DOC OIG contracted for the audit of its agency's fiscal year 2019 financial statements. DOC OIG also contracted for other GAGAS engagements that were to be performed in accordance with Government Auditing Standards.

We visited the DOC OIG office located in Washington, D.C.

**Table 1. DOC OIG Audit Reports Reviewed**

Report No.	Report Date	Report Title
OIG-20-018-A	02/11/2020	Failures in the Department's Security Program Resulted in Exposure of Sensitive Trade Information to Unvetted Foreign Nationals
OIG-20-021-A	03/24/2020	The Joint Polar Satellite System: Program Can Increase the Likelihood of Mission Success by Further Applying NASA Processes to Its Spacecraft Development Efforts
OIG-20-025-A	04/30/2020	2020 Census: The Bureau Can Improve Oversight of Time-and-Materials Delivery Orders on the Integrated Communications Contract
OIG-20-028-A	06/02/2020	The Department Needs to Improve Oversight Practices to Close Out Contract Files by Complying with Federal Regulations and Departmental Requirements
OIG-20-030-A	06/16/2020	Deficiencies in USPTO's Backup and Restoration Process Could Delay Recovery of Critical Applications in the Event of a System Failure and Adversely Affect Its Mission
OIG-20-047-A	09/10/2020	The Joint Polar Satellite System: Cost Growth and Schedule Delay of a Key Instrument Acquisition Highlight the Need for Closer Attention to Contractor Oversight
<b>Reviewed Monitoring File of DOC OIG for Contracted GAGAS Engagement</b>		
OIG-20-008-A	11/19/2019	Department of Commerce FY 2019 Financial Statements



UNITED STATES DEPARTMENT OF COMMERCE  
Office of Inspector General  
Washington, D.C. 20230

March 16, 2021

The Honorable Hannibal "Mike" Ware  
Inspector General  
U.S. Small Business Administration  
409 3rd Street, SW  
Suite 7150  
Washington, DC 20416

Dear Mr. Ware:

We have reviewed the draft report on the results of your external quality control review of the U.S. Department of Commerce's (DOC's) Office of Inspector General's (OIG's) audit organization. We agree with your conclusions that our system of quality control is suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity, in all material respects, with (1) applicable professional standards and (2) applicable legal and regulatory requirements. We are pleased that your independent review of our audit operations resulted in a pass rating.

Please express my appreciation to your staff for their professionalism as well as for the courtesies extended to us during their diligent efforts to analyze our system of quality control. If you have any questions regarding our response, please contact me at (202) 482-4661 or Richard Bachman, Assistant Inspector General for Audit and Evaluation, at (202) 482-2877.

Sincerely,

A handwritten signature in cursive script that reads "Peggy E. Gustafson".

Peggy E. Gustafson  
Inspector General