



# Office of Inspector General United States Department of State

## System Review Report

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March 22, 2024

Roderick Anderson  
Acting Inspector General  
U.S. Department of Commerce  
Office of Inspector General  
1401 Constitution Avenue, NW  
Washington, DC 20230

The Department of State, Office of Inspector General (State OIG), has reviewed the system of quality control for the audit organization of the Department of Commerce, Office of Inspector General (Commerce OIG), in effect for the year ended September 30, 2023. A system of quality control encompasses Commerce 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* (GAS)<sup>1</sup> and applicable legal and regulatory requirements. The elements of quality control are described in GAS.

In State OIG's opinion, the system of quality control for the audit organization of Commerce OIG in effect for the year ended September 30, 2023, has been suitably designed and complied with to provide Commerce 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*. Commerce OIG has received an External Peer Review rating of *pass*. Commerce OIG's response to this report is included in Enclosure 2.

### **Monitoring of Generally Accepted Government Auditing Standards Engagements Performed by Independent Public Accountants**

In addition to reviewing Commerce OIG's system of quality control to ensure adherence with GAS, State OIG applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE)<sup>2</sup> related to Commerce OIG's

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<sup>1</sup> Government Accountability Office, *Government Auditing Standards*, 2018 Revision (GAO-21-368G, Technical Update April 2021).

<sup>2</sup> The Council of the Inspectors General on Integrity and Efficiency, "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General," March 2020.

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monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS) by Independent Public Accountants (IPA) under contract, for which 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 GAS. The purpose of these limited procedures was to determine whether Commerce OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, the objective was not to express an opinion; accordingly, State OIG does not express an opinion on Commerce OIG's monitoring of work performed by IPAs.

### **Letter of Comment**

State OIG has issued a letter dated March 22, 2024, that sets forth findings that were not considered to be of sufficient significance to affect the opinion expressed in this report.

### **Basis of Opinion**

State OIG's review was conducted in accordance with GAS and the CIGIE "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General."<sup>3</sup>

During the review, State OIG interviewed Commerce OIG personnel and obtained an understanding of the nature of the Commerce OIG audit organization and the design of Commerce OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on those assessments, State OIG selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with Commerce OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the Commerce OIG audit organization, with an emphasis on higher risk engagements.

In performing the review, State OIG obtained an understanding of the system of quality control for the Commerce OIG audit organization. In addition, State OIG tested compliance with Commerce OIG's quality control policies and procedures to the extent that it considered appropriate. These tests covered the application of Commerce OIG's policies and procedures on selected GAGAS engagements. State OIG's review was based on selected tests; therefore, the review 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, State OIG reassessed the adequacy of the scope of the peer review procedures and met with Commerce OIG management to discuss the results of the review. State OIG believes that the procedures it performed provide a reasonable basis for the opinion. Enclosure 1 to this report identifies the Commerce OIG GAGAS engagements that State OIG reviewed.

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<sup>3</sup> Ibid.

## **Responsibilities and Limitation**

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

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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 and procedures may deteriorate.

A handwritten signature in blue ink that reads "Diana R. Shaw". The signature is fluid and cursive, with the first name "Diana" and last name "Shaw" clearly legible.

Diana R. Shaw  
Acting Inspector General

Enclosures (2): As stated.

## ENCLOSURE 1: SCOPE AND METHODOLOGY

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The Department of State, Office of Inspector General (State OIG), tested compliance with the Department of Commerce, Office of Inspector General (Commerce OIG), audit organization’s system of quality control to the extent that State OIG considered appropriate. These tests included a review of 3 of 15 engagement reports conducted in accordance with generally accepted government auditing standards (GAGAS) that were issued from October 1, 2022, through September 30, 2023. State OIG also reviewed the most recent internal quality control review performed by Commerce OIG.<sup>1</sup> Table 1 identifies GAGAS engagements performed by Commerce OIG that were selected by State OIG for review.

**Table 1: Reviewed GAGAS Engagements Performed by Commerce OIG**

Report Number	Report Date	Report Title
OIG-22-015-A	January 2022	<i>Redesigned GOES-T is Ready for Launch, but NOAA Should Reassess Its Assumptions for Satellite Launch Planning and Storage</i>
OIG-23-005-A	November 2022	<i>FirstNet Authority Could Not Demonstrate Investment Decisions Were the Best Use of Reinvestment Funds or Maximized the Benefits to Public Safety</i>
OIG-23-026-A	August 2023	<i>USPTO Needs to Improve Oversight and Implementation of Patent Classification and Routing Processes</i>
OIG-23-030-A	September 2023	<i>Security Weaknesses in the Department’s Mission-Critical High Value IT Assets Leave the Assets Vulnerable to Cyberattacks</i>

**Source:** Generated by State OIG from data provided by Commerce OIG.

State OIG also reviewed Commerce OIG’s monitoring of GAGAS engagements performed by Independent Public Accountants (IPA) for which the IPA served as the auditor from October 1, 2022, through September 30, 2023. During this period, Commerce OIG contracted for the audit of its agency’s FY 2022 financial statements. Commerce OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*. As shown in Table 2, State OIG reviewed one audit conducted by an IPA on behalf of Commerce OIG.

**Table 2: Reviewed Monitoring Files of Commerce OIG for Contracted GAGAS Engagements**

Report Number	Report Date	Report Title
OIG-23-002-A	November 2022	<i>Department of Commerce FY 2022 Financial Statements</i>

**Source:** Generated by State OIG from data provided by Commerce OIG.

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<sup>1</sup> Although State OIG reviewed reports issued by Commerce OIG from October 1, 2022, through September 31, 2023, the most recent Commerce OIG quality control review was performed prior to that 1-year period. Therefore, the quality control review selected by State OIG was dated January 20, 2022.

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Furthermore, State OIG reviewed the two engagements that were terminated or closed out by Commerce OIG during the review period<sup>2</sup> to determine whether the results of the work were appropriately documented and the reason for the termination or close out was appropriately communicated to officials. Table 3 identifies the two engagements terminated or closed out by Commerce OIG that were selected by State OIG for review.

**Table 3: Reviewed GAGAS Engagements Terminated or Closed Out by Commerce OIG**

<b>Engagement Number</b>	<b>Engagement Title</b>	<b>Engagement Status</b>	<b>Engagement Closeout Date</b>
2020-366	Audit of FirstNet’s Subcontract Oversight	Closed Out	December 11, 2020
2021-396	Audit of FirstNet Authority's Engagement with the Public Safety Community	Terminated	February 3, 2022

**Source:** Generated by State OIG from data provided by Commerce OIG.

State OIG performed its review remotely using documentation provided by Commerce OIG.

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<sup>2</sup> In accordance with the Peer Review schedule established by the Council of the Inspectors General on Integrity and Efficiency, State OIG conducted an external peer review of Commerce OIG’s audit organization for the 3-year period of October 1, 2020, through September 30, 2023.

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ENCLOSURE 2: U.S. DEPARTMENT OF COMMERCE, OFFICE OF INSPECTOR  
GENERAL, RESPONSE

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

March 12, 2024

Diana R. Shaw  
Acting Inspector General  
U.S. Department of State  
Office of Inspector General  
1700 North Moore Street (SA-39)  
Arlington, VA 22209

Dear Acting Inspector General Shaw:

Thank you for the opportunity to respond to the draft System Review Report, issued March 1, 2024, for the U.S. Department of Commerce Office of Inspector General's audit organization for the period ended September 30, 2023. 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.

In the draft Letter of Comment, also dated March 1, 2024, you identified issues and made recommendations that were not considered to be of sufficient significance to affect your opinion expressed in this report. We have provided a separate response to your recommendations, including planned actions and estimated completion dates.

Please express my appreciation to your staff for their time, dedication, and professionalism during their diligent efforts to analyze our system of quality control. If you have any questions regarding our response, please contact me by email at [randerson@oig.doc.gov](mailto:randerson@oig.doc.gov) or have your staff contact Mark Zabarsky, Principal Assistant Inspector General, Office of Audit and Evaluation, at [mzabarsky@oig.doc.gov](mailto:mzabarsky@oig.doc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Roderick Anderson".

Roderick Anderson  
Acting Inspector General

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