



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

FEB 11 2013

## System Review Report

The Honorable Harold W. Geisel  
Deputy Inspector General  
U.S. Department of State and the Broadcasting Board of Governors  
Office of Inspector General  
Room 8100, SA-3  
2201 C Street, NW.  
Washington, DC 20520-0308

Dear Mr. Geisel:

We have reviewed the system of quality control for the audit organization U.S. Department of State and the Broadcasting Board of Governors Office of Inspector General (DOS OIG) in effect for the year ended September 30, 2012. A system of quality control encompasses the DOS OIG organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to Generally Accepted Government Auditing Standards (GAGAS). The elements of quality control are described in GAGAS. DOS OIG is responsible for designing a system of quality control and complying with it to provide DOS OIG 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 DOS OIG compliance therewith based on our review.

Our review was conducted in accordance with GAGAS and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed DOS OIG personnel and obtained an understanding of the nature of DOS OIG's audit organization and design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with DOS OIG's system of quality control. The engagements selected represented a reasonable cross-section of DOS OIG's audit organization, with emphasis on higher-risk engagements. Before concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with DOS OIG's 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 DOS OIG's audit organization. In addition, we tested compliance with DOS OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DOS OIG's policies and procedures on selected engagements. 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. Enclosure 1 to this report identifies the DOS OIG engagements that we reviewed.

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

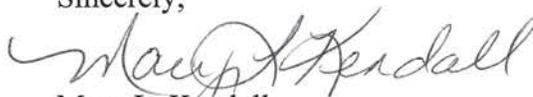
In our opinion, the system of quality control for the DOS OIG audit organization in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide DOS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a peer review rating of “pass,” “pass with deficiencies,” or “fail”; we give DOS OIG a rating of “pass.” Enclosure 2 to this report contains DOS OIG’s response to this report. As is customary, we have issued a letter, dated February 7, 2013, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

The National Aeronautics and Space Administration Office of Inspector General (NASA OIG) performed the prior peer review for the year ended September 30, 2009. In its opinion, the system of quality control for DOS OIG’s audit organization was not consistently followed by DOS OIG’s Middle East Region Operations (MERO). Consequently, NASA OIG issued DOS OIG a rating of “pass with deficiencies.” As a result, all open MERO audit projects as of October 1, 2009, were converted to evaluations until MERO could be merged with DOS OIG’s Office of Audits on August 1, 2011. While MERO has now resumed performing audits, no audits had been completed or reports issued as of the final date of our review period. Therefore, we were unable to review any MERO projects.

In addition to reviewing its system of quality control to ensure adherence with GAGAS, we applied certain limited procedures in accordance with CIGIE guidance related to DOS OIG’s monitoring of engagements performed by independent public accountants (IPA) under contracts in which the IPA served as the principal auditor. It should be noted that the monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of GAGAS. The purpose of our limited procedures was to determine whether DOS OIG had controls to ensure the 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 DOS OIG’s monitoring of work performed by IPAs.

If you have any questions, please contact either Kimberly Elmore, Assistant Inspector General for Audits, Inspections, and Evaluations, or me at 202-208-5745.

Sincerely,



Mary L. Kendall  
Deputy Inspector General

Enclosures

## SCOPE AND METHODOLOGY

We tested compliance with the DOS OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 7 of 26 audit and attestation reports issued during the period October 1, 2011, through September 30, 2012, and the two semiannual reporting periods October 1, 2011, through March 31, 2012, and April 1, 2012, through September 30, 2012. We also reviewed two internal quality control reviews performed by DOS OIG.

In addition, we reviewed DOS OIG's monitoring of engagements performed by independent public accountants (IPAs) in which the IPA served as the principal auditor during the period October 1, 2011, through September 30, 2012. During the period, DOS OIG contracted for the audit of its agency's fiscal year 2011 financial statements. DOS OIG also contracted for certain other engagements that were to be performed in accordance with GAGAS.

### Audit and Attestation Engagements Reviewed

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AUD-SI-12-17	12/30/11	Audit of the Department of State Process To Award the Worldwide Protective Services Contract and Kabul Embassy Security Force Task Order
AUD-FM-12-19	01/31/12	Independent Review of the U.S. Department of State Accounting of FY 2011 Drug Control Funds and Related Performance
AUD-IB-12-32	03/28/12	Audit of Broadcasting Board of Governors Compliance With the Improper Payments Information Act
AUD-IT-12-44	09/30/12	Audit of Department of State Access Controls for Major Applications

### IPA Monitoring Projects Reviewed

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AUD-FM-12-05	11/15/11	Independent Auditor's Report on the U.S. Department of State 2011 and 2010 Financial Statements
AUD-CG-12-10	11/30/11	Audit of International Boundary and Water Commission Construction Contract With Inuit Services, Inc., Using Funds Provided by the American Recovery and Reinvestment Act
AUD-CG-12-25	03/27/12	Audit of Funding Provided by the American Recovery and Reinvestment Act for the Bureau of Consular Affairs Passport Facilities Project