



March 18, 2016

The Honorable Steve Linick
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

SUBJECT: *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of State and the Broadcasting Board of Governors*

Dear Mr. Linick:

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 State and the Broadcasting Board of Governors (State) in effect for the year ended September 30, 2015. A system of quality control encompasses the State 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 State 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 State 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 Office of Inspector General*.² During our review, we interviewed State OIG personnel and obtained an understanding of the nature of the State OIG audit organization and the design of its system of quality control sufficient to assess the risks implicit in its audit functions. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with the State OIG's system of quality control. The audits selected represented a reasonable cross-section of the State OIG audit organization, with 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 State OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

¹ The Comptroller General of the United States issued the current version of *Government Auditing Standards* in December 2011.

² CIGIE issued the current version of the *Guide for Conducting Peer Reviews of the Audit Organization of Federal Offices of Inspector General* in September 2014.

In performing our review, we obtained an understanding of the system of quality control for the State OIG audit organization. In addition, we tested compliance with the State OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the State 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 enclosure to this report identifies the State 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 State OIG in effect for the year ended September 30, 2015, has been suitably designed and complied with to provide the State 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 State OIG has received a rating of *pass*.

As is customary, we issued a letter, dated March 18, 2016, 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 State 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 State 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 State 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 State OIG's monitoring of work performed by IPAs.

Sincerely,



David Smith
Deputy Inspector General

Enclosure

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Scope and Methodology

We tested compliance with the State OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 19 audit reports conducted by State OIG and issued during the period October 1, 2014, through September 30, 2015. We also reviewed 12 internal quality control review reports, issued from October 2012 through September 2015, that were prepared by State OIG's Audit Operations. We reviewed State OIG's working papers supporting its review of the *Audit of Department of State Implementation and Oversight of Active Directory* performance audit to determine the sufficiency of procedures used.

In addition, we reviewed the State OIG's monitoring of audits performed by IPAs where the IPA served as the auditor for the audit of its agency fiscal year 2014 financial statements.

State OIG Performance Audits Reviewed

Report no.	Report date	Report title
AUD-IT-15-05	10/2014	<i>Audit of Department of State Implementation and Oversight of Active Directory</i>
AUD-CGI-15-32	06/2015	<i>Audit of Overseas Health Units Administration of Controlled and Non-Controlled Drugs</i>
AUD-SI-15-41	09/2015	<i>Audit of the Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Global Threat Reduction Program</i>
AUD-MERO-15-39	09/2015	<i>Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis</i>

State OIG Monitoring File of Contracted Audit Reviewed

Report no.	Report date	Report title
AUD-FM-15-07	11/2014	<i>Independent Auditor's Report on the U.S. Department of State 2014 and 2013 Financial Statements</i>