



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



DEC 17 2015

Report Number: A-07-15-01156

The Honorable Phyllis K. Fong
Inspector General
United States Department of Agriculture
1400 Independence Avenue, SW
Stop 2301
Washington, DC 20250

Dear Inspector General Fong:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Report on the External Quality Control Review of the Audit Organization of the U.S. Department of Agriculture, Office of Inspector General*. We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency guidelines and discussed the review with you and members of your staff on April 27, 2015.

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me. Otherwise, your staff may contact Gloria L. Jarmon, Deputy Inspector General for Audit Services, at (202) 619-3155 or by email at Gloria.Jarmon@oig.hhs.gov.

Sincerely,

Daniel R. Levinson
Inspector General

Enclosure

**REPORT ON THE EXTERNAL QUALITY CONTROL REVIEW
OF THE AUDIT ORGANIZATION OF THE
U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF INSPECTOR GENERAL**

We have reviewed the system of quality control for the audit organization of the U.S. Department of Agriculture (USDA), Office of Inspector General (OIG), in effect for the year ended March 31, 2015. A system of quality control encompasses USDA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. USDA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide USDA OIG 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 USDA 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 (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed USDA OIG personnel and obtained an understanding of the nature of the USDA OIG audit organization and the design of USDA OIG's 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 USDA OIG's system of quality control. The audits selected represented a reasonable cross-section of USDA OIG's audit organization, with emphasis on higher-risk audits. Before concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with USDA 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 USDA OIG audit organization. In addition, we tested compliance with USDA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of USDA 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.

Our scope and methodology appear in the Appendix.

In our opinion, the system of quality control for the audit organization of USDA OIG in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide USDA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USDA OIG has received a peer review rating of *pass*.

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 CIGIE related to USDA OIG's monitoring of audits performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of 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 USDA OIG had controls to ensure 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 USDA OIG's monitoring of work performed by IPAs.

SCOPE AND METHODOLOGY

We tested compliance with the USDA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 8 of 33 audit reports issued from April 1, 2014, through March 31, 2015, and semiannual reporting periods ended September 2014 and March 2015. We also reviewed a terminated audit and two reports included in internal quality control reviews performed by USDA OIG.

In addition, we reviewed USDA OIG's monitoring of one engagement performed by an IPA for which the IPA served as a principal auditor from April 1, 2014, through March 31, 2015. During the period, USDA OIG contracted for certain engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Washington, DC, office of USDA OIG. We sent questionnaires to selected staff members to determine the extent to which USDA OIG's quality control and assurance policies and procedures were effectively communicated to staff and to obtain staff views about a number of factors related to the agency's adherence to those policies and procedures. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits and whether they collectively possessed the knowledge and skills needed to conduct audits.

REVIEWED ENGAGEMENTS PERFORMED BY THE U.S. DEPARTMENT OF AGRICULTURE, OFFICE OF INSPECTOR GENERAL

1. *Economic Adjustment Assistance to Users of Upland Cotton*, Report No. 03601-0002-22, July 31, 2014.
2. *State Agencies' Food Costs for the Food and Nutrition Service's Special Supplemental Nutrition Program for Women, Infants, and Children*, Report No. 27004-0001-22, September 25, 2014.
3. *USDA's Controls Over Economy Act Transfers and Greenbook Program Charges*, Report No. 50099-0001-23, September 18, 2014.
4. *Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2014 and 2013*, Report No. 50401-0007-11, December 18, 2014.
5. *USDA's Implementation of Cloud Computing Services*, Report No. 50501-0005-12, September 26, 2014.
6. *U.S. Department of Agriculture Office of the Chief Information Officer Fiscal Year 2014 Federal Information Security Management Act*, Report No. 50501-0006-12, November 7, 2014.
7. *RMA: Rainfall and Vegetation Index Pilot Program—Pasture, Rangeland, Forage—Interim Report*, Report No. 05601-0003-31(1), September 11, 2014.

8. *Rural Development's Financial Statements for Fiscal Years 2014 and 2013*, Report No. 85401-0004-11, November 7, 2014.¹

REVIEWED AN ENGAGEMENT TERMINATED BY THE U.S. DEPARTMENT OF AGRICULTURE, OFFICE OF INSPECTOR GENERAL

Review of the Management and Oversight of the Forest Service Law Enforcement and Investigations Operations, Report No. 08-003-0001-23.

REVIEWED INTERNAL QUALITY CONTROL REVIEWS PERFORMED BY THE U.S. DEPARTMENT OF AGRICULTURE, OFFICE OF INSPECTOR GENERAL

1. *Review of Management Controls for the Child and Adult Care Food Program*, Report No. 27601-0012-SF, November 18, 2011.
2. *USDA's Response to Colony Collapse Disorder*, Report No. 50099-0084-HY, January 20, 2012.

¹ USDA OIG used an IPA to serve as a principal auditor for a portion of this engagement.