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MEMORANDUM FOR INSPECTOR GENERAL U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT THE HONORABLE KENNETH M. DONOHUESUBJECT: Quality Control for the Audit Function of the U.S. Department of Housing  
and Urban Development, Office of Inspector General (A-01-03-03000)

We have reviewed the system of quality control for the audit function of the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG) in effect for the year ended March 31, 2003.

We conducted our review in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of the audits identified in the enclosure.

In performing our review, we considered the PCIE policy statement on quality control and external reviews, dated February 2002. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent, and formality of an OIG's system of quality control depends on various factors, such as the size of the OIG, the location of its offices, the nature of the work, and its organizational structure.

In our opinion, the system of quality control for the audit function of HUD OIG in effect for the year ended March 31, 2003 was designed in accordance with the PCIE quality standards and was being complied with for the year then ended to provide the OIG with reasonable assurance of material compliance with professional auditing standards in the conduct of its audits. Therefore, we are issuing an unqualified opinion on your system of audit quality control.

A handwritten signature in cursive script, reading "Dara Corrigan".

Dara Corrigan  
Acting Principal Deputy Inspector General

Attachment

### **Peer Review Scope and Methodology**

We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of 8 of 140 audit reports issued during the September 30, 2002 and March 31, 2003 semiannual reporting periods. In addition, we reviewed the financial statement audit and monitoring activities covering the fiscal year 2002 HUD financial statements. We also reviewed the internal quality control review conducted at HUD OIG, Region VII and one Region VII audit included in that review.

### **OIG Offices Reviewed**

We visited the headquarters; New York, NY; Atlanta, GA; Kansas City, KS; and Los Angeles, CA, offices of the HUD OIG.

### **Audit Reports Reviewed**

<b><u>Report Number</u></b>	<b><u>Report Date</u></b>	<b><u>Report Title</u></b>
2003-FO-0004	January 31, 2003	U.S. Department of Housing and Urban Development, Audit of Financial Statements--Fiscal Years 2002 and 2001
2002-NY-1002	April 15, 2002	Hudson County Division of Community Development, Community Planning and Development Programs, Jersey City, New Jersey
2003 -NY-1002	March 11, 2003	Chapel Mortgage Corporation, Non-Supervised Mortgagee, Rancocas, New Jersey
2003-AT-1801	October 9, 2002	South Carolina Regional Housing Authority No. 3, Barnwell, South Carolina
2003-AT-1002	March 21, 2003	Procurement of Management Agents, Puerto Rico Public Housing Administration, San Juan, Puerto Rico

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
2001-KC-1004	July 9, 2001	Review of Subrecipient Selection, Monitoring and Reporting; City of Kansas City; Department of Housing and Community Development; Kansas City, Missouri
2003-KC-1002	December 17, 2002	Congressionally Requested Audit of the Outreach and Training Assistance Grant Awarded to Housing Comes First, St. Louis, Missouri, Grant Numbers FFOT98018MO and FFOT00022MO
2003-KC-1005	March 10, 2003	Choice Enterprises Inc., 950 S. Cherry Street, Suite 118, Denver, Colorado 80246
2002-SF-1003	September 25, 2002	Los Angeles Community Development Bank--Economic Development Initiative Grant/Section 108 Loan Guarantee Program, City of Los Angeles, County of Los Angeles, Los Angeles, California
2002-SF-1004	September 30, 2002	Congressionally Requested Audit of the Intermediary Technical Assistance Grants Awarded to the Low Income Housing Fund, Oakland, California, Grant Numbers FFIT98003LF and FFIT98004LF