

**U.S. Department of Labor**

Office of Inspector General  
Washington, DC. 20210



**NOV 23 2015**

The Honorable Eric M. Thorson  
Inspector General  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Mr. Thorson:

The enclosed final System Review Report (Report Number 27-16-001-98-599) provides the results of our review of the system of quality control for the audit organization of the U.S. Department of the Treasury, Office of the Inspector General, in effect for the year ended March 31, 2015. The review was conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your response to the draft report is included in its entirety as part of the final report.

We appreciate the cooperation and courtesies extended to our auditors during this review. If you have any questions, please contact me at (202) 693-5100, or you may have your staff contact Laura J. Makray, Director, Office of Audit Quality Assurance, at (202) 321-5623.

Sincerely,

Scott S. Dahl  
Inspector General

Enclosure

cc: Marla A. Freedman, Assistant Inspector General for Audit  
Robert Taylor, Deputy Assistant Inspector General for Performance Audit  
Donna Joseph, Deputy Assistant Inspector General for IT Audit and Grants  
Lisa Carter, Deputy Assistant Inspector General for Audit  
Cedric E. Hammond, Director, Audit Operations  
Michelle Littlejohn, Auditor



November 23, 2015

## System Review Report

The Honorable Eric M. Thorson  
Inspector General  
U.S. Department of the Treasury  
Office of Inspector General  
740 15th Street, NW  
Washington, DC 20220

We have reviewed the system of quality control for the audit organization of U.S. Department of Treasury, Office of Inspector General (Treasury OIG) in effect for the year ended March 31, 2015. A system of quality control encompasses Treasury 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*. Treasury OIG is responsible for establishing and maintaining a system of quality control designed to provide Treasury 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 Treasury 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 Treasury OIG personnel and obtained an understanding of the nature of the Treasury OIG audit organization, and the design of the Treasury OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the Treasury OIG's system of quality control. The audits selected represented a reasonable cross section of the Treasury OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with Treasury 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 Treasury OIG audit organization. In addition, we tested compliance with the Treasury OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of Treasury OIG's policies and procedures on selected audits. Our review was based on selected tests and would therefore 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, consequently, 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.

Enclosure 1 to this report identifies the office of the Treasury OIG that we visited and the audits that we reviewed. Enclosure 2 is your response to the draft report in its entirety.

In our opinion, the system of quality control for the audit organization of Treasury OIG in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide Treasury OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. Treasury OIG has received an External 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 the CIGIE related to Treasury OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. Please note that monitoring of audits performed by IPAs is not an audit and as such is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether Treasury 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 Treasury OIG's monitoring of work performed by IPAs.

  
Scott S. Dahl  
Inspector General

Enclosures

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## SCOPE AND METHODOLOGY

### Scope and Methodology

We tested compliance with the Treasury OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 13 of 73 audit reports issued during the period April 1, 2014, through March 31, 2015. We also reviewed the internal quality control reviews performed by Treasury OIG.

In addition, we reviewed the Treasury OIG's monitoring of audits performed by IPAs where the IPA served as the principal auditor during the period April 1, 2014, through March 31, 2015. During the period, Treasury OIG contracted for the audit of its agency's consolidated financial statements for fiscal years 2014 and 2013. It also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We performed our review from June 2015 to October 2015 and visited Treasury OIG's Washington, DC office.

**Table 1. Reviewed Audits Performed by Treasury OIG**

Report No.	Report Date	Report Title
OIG-14-048	09/17/2014	TERRORIST FINANCING/MONEY LAUNDERING: FinCEN Completed the BSA IT Modernization Program Within Budget and Schedule
OIG-14-036	05/14/2014	Treasury Made Progress to Stand Up the Federal Insurance Office, But Missed Reporting Deadlines
OIG-14-033	04/17/2014	SAFETY AND SOUNDNESS: Material Loss of First National Bank
OIG-14-042	07/09/2014	RECOVERY ACT: Audit of Delaware State Housing Authority's Payment Under 1602 Program
OIG-14-046	09/15/2014	SAFETY AND SOUNDNESS: Failed Bank Review of Slavia Federal Savings Bank, Bel Air, Maryland
OIG-15-002	10/17/2014	RESTORE ACT: NOAA's Establishment of the Science Program Under Restore Act
OIG-15-006	11/06/2014	Fiscal Service Successfully Established the Do Not Pay Business Center But Challenges Remain
OIG-15-011	11/17/2014	Audit of the Department of the Treasury's Schedules of United States Gold Reserves Held by Federal Reserve Banks as of September 30, 2014 and 2013
OIG-SBLF-14-011	06/18/2014	STATE SMALL BUSINESS CREDIT INITIATIVE: Indiana's Use of Federal Funds for Other Credit Support Programs



**Table 2. Reviewed Monitoring Files of Treasury OIG for Contracted Audits**

OIG-14-037	06/02/2014	Audit of the Office of the D.C. Pensions' Fiscal Years 2013 and 2012 Financial Statements
OIG-CA-15-004	11/06/2014	INFORMATION TECHNOLOGY: Department of the Treasury Federal Information Security Management Act Fiscal Year 2014 Evaluation
OIG-15-012	11/17/2014	Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2014 and 2013
OIG-15-021	12/12/2014	Audit of the Bureau of Engraving and Printing's Fiscal Years 2014 and 2013 Financial Statements

**OTHER MATTER**

Effective September 2, 2014, Treasury OIG moved the functions of the Office of Small Business Lending Fund (SBLF) Program Oversight,<sup>1</sup> a separate audit organization within Treasury OIG, into the Office of Audit. In February 2015, Office of Audit management became aware that the findings and conclusions in an audit report issued by the Office of SBLF Program Oversight may contain incorrect information. The Office of Audit immediately withdrew the report pending further review and notified the appropriate recipients of that report. In response to this discovery, the Office of Audit reviewed all audit reports issued by the Office of SBLF Program Oversight since its inception on May 13, 2011, to determine whether those reports met professional standards. As a result of that review, one audit report was permanently withdrawn and five audit reports were revised and reissued. In those cases, the report recipients were notified of the actions taken. Because of the move of the Office of SBLF Program Oversight functions into the Office of Audit and the steps taken by the Office of Audit to address the deficiencies identified in the reports issued by the Office of SBLF Program Oversight, we believe the Treasury OIG took appropriate action. As such, this matter does not affect our opinion on the system of quality control for the audit organization of the Treasury OIG.

<sup>1</sup> Treasury OIG established the Office of SBLF Program Oversight pursuant to the Small Business Jobs Act of 2010. The Office performed audits of two Treasury programs created and funded under this Act—SBLF and the State Small Business Credit Initiative.



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

November 16, 2015

Elliot P. Lewis  
Assistant Inspector General for Audit  
Office of Inspector General  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Room S-5512  
Washington, DC 20210

Dear Mr. Lewis:

Thank-you for the opportunity to review and comment on the draft System Review Report on the Department of the Treasury Inspector's General audit organization. We acknowledge that your office assigned a peer review rating of *pass* to our system of quality control. We have no other comments to offer on the draft report.

We appreciate the courtesy and professionalism of your staff in the conduct of this important external review.

Sincerely,

/s/

Marla A. Freedman  
Assistant Inspector General for Audit