



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

System Review Report

September 24, 2018

The Honorable Eric M. Thorson
Inspector General
U.S. Department of Treasury
Office of Inspector General
1500 Pennsylvania Avenue, NW
Room 4436, Main Treasury Building
Washington, DC 20220

Dear Mr. Thorson:

We have reviewed the system of quality control for the audit organization of the U.S. Department of Treasury Office of Inspector General (Treasury OIG) in effect for the year ended March 31, 2018. 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 that is 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 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 Treasury OIG's system of quality control. The audits selected represented a reasonable cross-section of Treasury 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 Treasury OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

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Promoting the efficiency, effectiveness, and integrity of the Department's programs and operations.

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 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; 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.

Enclosure 1 to this report identifies Treasury OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of Treasury OIG in effect for the year ended March 31, 2018, 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. It should be noted that 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 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.

Sincerely,

A handwritten signature in blue ink that reads "Kathleen S. Tighe". The signature is written in a cursive style with a long horizontal stroke at the end.

Kathleen S. Tighe
Inspector General

Enclosures

Enclosure 1

Scope and Methodology

We tested compliance with Treasury OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 37 audit reports issued during the period April 1, 2017, through March 31, 2018. We also reviewed the internal quality control reviews performed by Treasury OIG.

In addition, we reviewed Treasury OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2017, through March 31, 2018. During the period, Treasury OIG contracted for the audit of its agency's fiscal years 2017 and 2016 financial statements. Treasury OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited Treasury OIG offices located in Washington, DC. We invited all Treasury OIG staff within the Office of Audit to complete a staff questionnaire designed to determine the extent to which Treasury OIG's quality control policies and procedures were effectively communicated to staff and obtain staff views about a number of factors related to Treasury OIG'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.

Table 1: Reviewed Audits Performed by Treasury OIG

Report No.	Report Date	Date Issued
OIG-18-024	RESOURCE MANAGEMENT: Treasury's Office of Budget and Travel Potentially Violated the Antideficiency Act and Needs to Improve Its Reimbursable Agreement Process	12/8/2017
OIG-17-042	DOMESTIC ASSISTANCE-Recovery Act: Audit of Rhode Island Housing's Payment Under 1602 Program	5/11/2017
OIG-18-039	FINANCIAL REGULATION AND OVERSIGHT: OCC Complied With Section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996	2/22/2018
OIG-18-018	TERRORIST FINANCING/MONEY LAUNDERING: OFAC Human Resources Practices Need Improvement	11/27/2017
OIG-18-010R	Treasury Continues to Make Progress in Meeting DATA Act Reporting Requirements, But Data Quality Concerns Remain	3/30/2018
OIG-18-040	TERRORIST FINANCING/MONEY LAUNDERING: FinCEN's Regulatory Helpline Provides Guidance But Controls Need to be Enhanced	2/26/2018

Table 2: Reviewed Monitoring Files of Treasury OIG for Contracted Audits

Report No.	Report Date	Date Issued
OIG-18-004	INFORMATION TECHNOLOGY: Department of the Treasury Federal Information Security Modernization Act Fiscal Year 2017 Performance Audit	10/27/2017
OIG-18-015	FINANCIAL MANAGEMENT: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2017 and 2016	11/15/2017



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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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Kathleen S. Tighe
Inspector General
Office of Inspector General
U.S. Department of Education
500 12th Street, SW
Washington, DC 20202

Dear Ms. Tighe:

Thank you for the opportunity to review and comment on the draft System Review Report on the Department of the Treasury Office of Inspector General's 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,

A handwritten signature in black ink, appearing to read "Eric M. Thorson". The signature is fluid and cursive, with a long horizontal line extending to the right.

Eric M. Thorson
Inspector General